LONDON BOROUGH OF HACKNEY PENSION FUND

Report and Accounts 2020-21

DRAFT

CONTENTS [UPDATE Contents Table & Page Nos]

Chair's Foreword - Cllr Robert Chapman

It is my pleasure, as Chair of the Pensions Committee, to introduce the London Borough of Hackney Pension Fund Annual Report and Accounts for 2020/21. The Pensions Committee is responsible for the management of all aspects of the Pension Fund, including investment, administration and governance of the Fund.

2020/21 has been a busy year for the Hackney Pension Fund, with a review of the Fund's investment strategy following the completion of the triennial valuation the previous year. The Fund has also continued to implement significant improvements to its third-party administration service in addition to dealing with the continuing impact of the Covid-19 pandemic throughout the year.

As reported in 2019/20, the interim review to assess progress against the target of reducing its exposure to fossil fuel reserves by 50% over 6 years showed that we had reduced exposure to carbon reserves by 31.4% between July 2016 and June 2019, well over halfway to its target of 50% over 6 years, with 60% of the target reduction already achieved. Following on from that review, the results were used to inform a revised investment strategy to help meet our overall target of at least a 50% reduction in exposure to future CO2 emissions.

Looking to investment more widely, 2020/21 was once again a volatile year for investment markets. However, over the year to 31st March 2021, the Fund returned +25.6%, above the local authority pension fund average of +22.7%.The Fund's strongest performing asset class in absolute terms was equities although all asset classes in which the Fund is invested returned positive results. Whilst the Fund made no physical significant allocation changes during the year, drawdown to the private debt mandates agreed during 2018/19 continued throughout the year and the Fund agreed a new investment strategy to be implemented during 2021/22 focusing on pooling assets within the London CIV and more sustainable mandates.

The Fund's 2019 actuarial valuation saw the funding level improve to 92%, allowing the Council's contribution rate from 33% to 31.5% for 2020/21, with a further reduction to 30.0% planned for 2021/22. Since 31st March 2019, economic conditions have changed very considerably and as reported in last year's report and accounts, the funding level had decreased to 82.4% at 31st March 2020. I am pleased to report that by the end of 2020/21, the funding level had recovered and improved to 102%, representing a small surplus of £24m as at 31 March 2021, largely a result of the positive investment performance as outlined previously.

2020/21 has also seen another busy year for our administration team. The team have worked hard over the year to continue to ensure that pensions and other benefits continue to be paid as they fall due despite difficulties posed by the ongoing effects of the Covid pandemic. Improvements to the Fund's administration service have continued to be a major focus with further development of the new fund website and continued work on introducing online member and employer self-service.

The team has also continued the major program of work with the Council's payroll and ICT teams to help improve the quality of data submitted to the Fund. The team has assisted in the development of a new interface for the Council to submit data. We have experienced significant issues with data quality in recent years and, whilst there is still some work to be done, the quality of data being submitted has improved and the interface should go live during 2021/22.

I would like to take this opportunity of expressing my personal appreciation for the hard work and commitment to the Hackney Pension Fund that the rest of my Committee Members have put in, given the considerable challenges that we face in managing a £1.9 billion pension fund during a period of considerable upheaval for both the LGPS and the wider economy. I would also like to thank the hard work put in by our specialist advisors, the Group Director of Finance and Corporate Resources and his staff over the past year.

Cllr Robert Chapman, Pensions Committee Chair

Pensions Committee

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

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

The Pensions Committee during 2020/21 was made up of 6 Councillor Members, 1 Scheme Member Representative and 1 Employer Representative.

Pensions Committee Members

Councillor Robert Chapman

Chair

Councillor Michael Desmond

Vice Chair

Councillor Rebecca Rennison

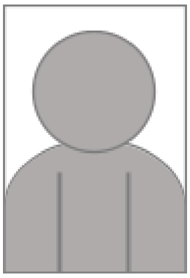
Councillor Polly Billington

Councillor Kam Adams

Councillor Ben Hayhurst

Jonathan Malins-Smith

Scheme Member Representative



Henry Colthurst

Employer Representative

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

Pensions Board

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

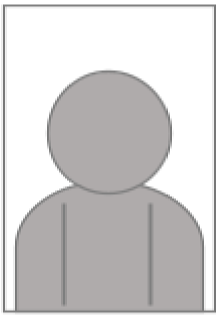
The Pensions Board during 2020/21 was made up of 3 members – 2 scheme member representatives and 1 employer representatives. A vacancy for an Employer Representative became available. The Pension Board will seek to appoint an employer representative from the existing employers in the Pension Fund.

Pensions Board Members

Samantha Lloyd

Scheme Member Representative

(Chair of the Board)



Henry Colthurst

Employer Representative

Michael Hartney

Scheme Member Representative

VACANCY

Employer Representative

<u>Contact details for the Pensions Board:</u>-

Pensions Board
Financial Services
4th Floor, Hackney Service Centre
1 Hillman Street
London E8 1DY

Staff, Advisers & Investment Managers

The management and administration of the Pension Fund as at 31st March 2021 was delegated to the Group Director of Finance and Corporate Resources, with the Financial Services Section (within the Finance and Corporate Resources Directorate) having responsibility for the day-to-day management of the Fund.

London Borough of Hackney Responsible Officers

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

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

Jackie Moylan ***- Director, Financial Management***

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

Michael Honeysett / Rachel Cowburn ***- Head of Pensions, Financial Services***

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

Lucy Patchell ***- Pensions Manager, Financial Services***

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

Morgan Williams ***- Group Accountant, Financial Services***

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

Auditors, Consultants and Third-Party Service Providers

Auditors – Mazars LLP

Tower Bridge House
St Katharine's Way
London E1W 1DD

Consulting Actuary – Hymans Robertson

Geoff Nathan
Actuarial Consultant
Hymans Robertson LLP20
Waterloo Street, Glasgow G2 6DB

AVC Provider – Prudential

Prudential AVC Customer Services
Lancing
BN15 8GB

Investment Consultant to the Fund – Hymans Robertson

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

Benefits & Governance Consultant to the Fund – AON

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

Legal Advisers

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

Pension Administration Services – Equiniti

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

Lloyds Bank
Lloyds Bank PLC
25 Gresham Street
London
EC2V 7HN

Custodial Services – HSBC
HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Asset Pool and Investment Managers

Asset Pool Operating Company
London CIV Ltd
4th Floor, 22 Lavington Street
London
SE1 0NZ

Global and UK Passive Equities
Blackrock Investment Management
12 Throgmorton Avenue
London
EC2N 2DL

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

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

Multi Asset
GMO UK Ltd
1 London Bridge
London
SE1 9BG

Global and Emerging Market Equities
RBC Global Asset Management
Riverbank House
2 Swan Lane
London
EC4R 3BF

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

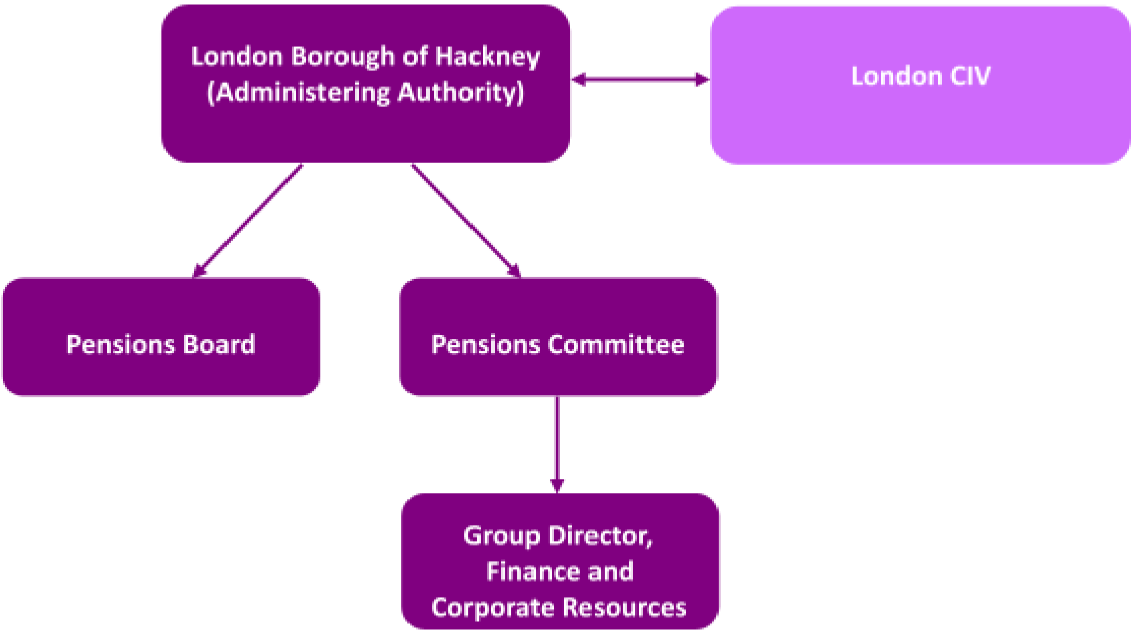
Private Debt
Churchill Asset Management
430 Park Avenue
New York
NY 10022
USA

Private Debt
Permira Debt Managers Ltd
80 Pall Mall
London
SW1Y 5ES

Governance and Oversight Review

Governance of the Pension Fund

The London Borough of Hackney, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee. In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the 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 for the 2020/21 financial year is depicted in the chart below.

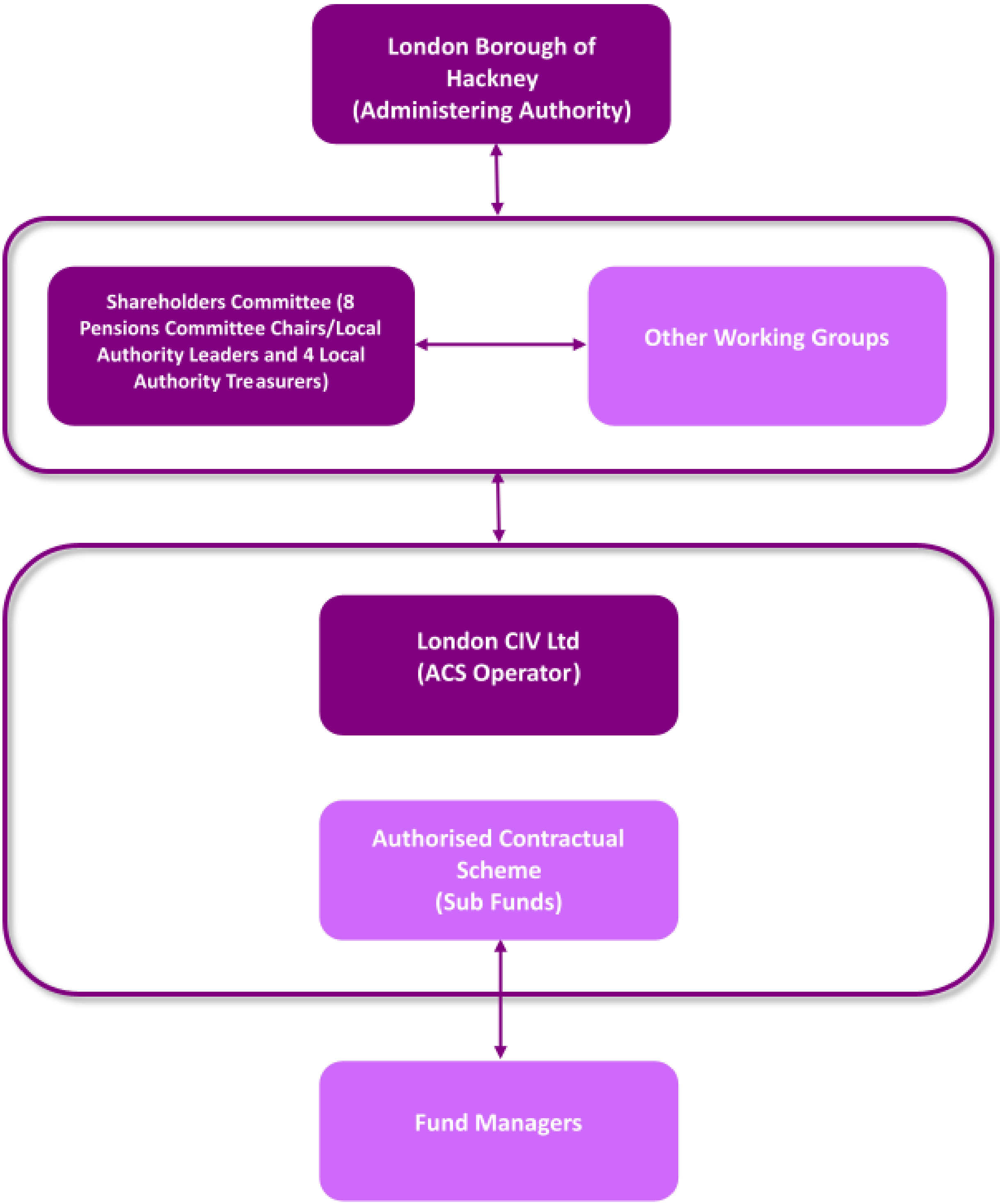


The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). The London CIV has been operational for some time and has opened a range of equity, bond and multi-asset sub funds, with other asset classes to follow. At the reporting date 31st March 2021, the Fund held 1 active equity portfolio directly via the CIV, 3 passive equity portfolios with BlackRock with oversight from the CIV and newly launched by the CIV at the end of 2020/21; 1 private debt portfolio and 1 renewable infrastructure portfolio.

The governance structure of the CIV is designed to provide both formal and informal routes to engage with all the Authorities as both shareholders and investors. During 2018/19, the CIV made changes to its governance structure, replacing the previous London Councils' Pensions CIV Sectoral Joint Committee ("PCSJC") with a Shareholders Committee. The PCSJC comprised of nominated Member representatives from each London local authority, whereas the Shareholders Committee comprises 12 members, 8 of whom are local authority pensions committee chairs (or council leaders) and 4 of whom are local authority treasurers. The Fund is currently represented within the governance structure of the CIV by Cllr Robert Chapman (Pensions Committee Chair) and Ian Williams (S151 Officer), both of whom currently sit on the Shareholders Committee.

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

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



Pensions Committee

Attendance

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

Committee Members Attendance 2020/21

	24th June Meeting	24th June Training	30th September Meeting	30th September Training	14th January Meeting	14th January Training	15th March Meeting	15th March Training
Cllr Robert Chapman (Chair)	P	P	P	P	P	P	P	P
Cllr Michael Desmond (Vice Chair)	P	P	P	P	P	P	P	P
Cllr Kam Adams	P	P	P	P	P	P	P	P
Cllr Polly Billington	P	P	P	P	P	P	P	P
Cllr Rebecca Rennison	P	P	A	A	P	P	A	A
Cllr Ben Hayhurst	A	A	A	A	P	P	P	P
Co-Opted Members								
Henry Colthurst	P	P	A	A	P	P	P	P
Jonathan Malins-Smith	P	P	A	A	P	P	P	P

P = Present
A = Absent

Training

Training was provided to the Committee with a dedicated time slot at the Committee meetings. The topics covered in the training programme for the Committee in 2020/21 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Committee are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- Investment Strategy
- £95K Exit Cap
- Risk Management
- Infrastructure Investment
- Pension Fund Report and Accounts

Members are also encouraged to attend relevant external training opportunities as set out in the Fund's training policy. Events attended during 2020/21 included:

- the Local Authority Pension Fund Forum (LAPFF) Conference
- the LGPS Investment Summit

Pensions Board

Attendance

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

Pension Board Members Attendance 2020/21				
	18th November 2020		17th March 2021	
	Meeting	Training	Meeting	Training
Samantha Lloyd (Chair)	P	P	P	P
Michael Hartney	P	P	P	P
Hugo Sparks	P	P	P	P
P = Present				
A = Absent				

Training

Pensions Board members are invited to attend Pensions Committee meeting as observers and to participate in the training. However, to ensure that suitable training is fully accessible to all Board members, Board meetings also include a regular training session at the start of each meeting. The topics covered in the training programme for the Board in 2020/21 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Board are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- £95k Exit Cap
- Risk Management

Governance Issues – Management of Conflict of Interest

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

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

Knowledge and Skills Policy Statement

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

Hackney Pension Fund adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

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

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

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

Hackney Pension Fund will report on an annual basis how these policies have been put into practice throughout the financial year.

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

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

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

2020/21 Reporting on Knowledge and Skills Framework

How the Frameworks have been applied

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

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

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

Assessment of Training Needs

The updated issue of the Knowledge and Skills Framework in 2021 set out a matrix of nine relevant key areas of knowledge for members of decision-making bodies, namely:

1. Pensions Legislative and Guidance
2. Pensions Governance
3. Funding Strategy and Actuarial Methods
4. Pensions Administration and Communications
5. Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
7. Financial Markets and Products
8. Pension Services Procurement, Contract Management and Relationship Management
9. Wider Skills and Behaviours Required for Decision Makers in the LGPS

The Local Pensions Boards Knowledge and Skills Framework, published in 2015, follows broadly similar principles. The eight key areas of knowledge for Pension Board members are as follows:

1. Pensions Legislation
2. Public Sector Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Auditing Standards
5. Pensions Services Procurement and Relationship Management
6. Investment Performance and Risk Management
7. Financial Markets and Product Knowledge
8. Actuarial Methods, Standards and Practices

The Fund's training programme is designed around the guidance set out above. The Committee programme for 2020/21 concentrated on introducing topical issues alongside specific training related to imminent decisions to be taken by members. Dedicated training covered a broad range of topics, including investment strategy, regulatory changes to the exit cap and risk management. Due to the Covid-19 pandemic, the first meeting of the financial year did not include any specific training.

The first training session of the financial year in September 2020 focused on the investment strategy and implementation plan and included a presentation by Hymans Robertson to update the Committee on the progress and plan for transition of investments into the London CIV asset pool and issues related to responsible investment, particularly relating to climate change.

The following session in January 2021 focused on the changes that were to be introduced to public sector pension schemes in respect of exit packages with the introduction of the £95k cap. It was important that members of the Committee understood the administrative aspects of the cap and its impact on potential benefits payable, particularly given that the regulations being introduced were not in line with LGPS regulations, particularly for any employee aged 55 or over and being made redundant. In the event the £95k cap regulations were revoked by the Government shortly after their introduction.

The final session focused on risk management within the Pension Fund, providing training on how risks are identified and analysed and how those risks are categorised in terms of their potential impact and likelihood of actually occurring. This training was linked directly to the update of the Fund's risk register and ensured that members fully understood the process used within the Fund.

The Fund held one additional strategy meeting during the year, which focused on progress towards its carbon reduction target. This additional meeting provided additional opportunities for learning and development on the topic of responsible investment.

The Pensions Board programme for 2020/21 focused on similar issues to that of the Committee and received the specific training on the £95k exit cap and risk management, both areas particularly relevant to the Board in its role of assisting the administering authority to ensure proper administration and governance of the Fund.

The dedicated training programmes for 2020/21 were supplemented by additional information contained within the main agenda items.

Training Delivered against identified training needs

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

Dedicated Training - Committee	Date
Investment Strategy	30/09/2020
£95K Exit Cap	14/01/2021
Risk Management	15/03/2021
Supplemental Training - Committee	**Date**
Infrastructure Investment	24/06/2020
Pension Fund Report and Accounts	30/09/2020

Attendance at Committee and Board meetings and training sessions is monitored by officers and a record of attendance is included within the earlier Governance & Oversight Review for 2020/21.

A full training programme is scheduled for 2021/22 and includes a wide range of topics, focussing particularly on areas where the Committee is required to make longer term strategic decisions, or where the Committee has requested additional training.

Training Policy

The Pensions Committee formally approved an updated Training Policy at its Committee meeting in September 2018 which sets out its commitment to ensuring that Members of the Pensions Committee, Pensions Board and senior officers with responsibility for managing the Pension Fund should undergo a rigorous training programme. The Training Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It is intended to aid existing and future Pensions Committee members, Pensions Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Pension Fund is managed by individuals with the appropriate level of knowledge and skills.

Scheme Details

Overview of the Scheme

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

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

Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the most recent valuation taking place as at 31st March 2019.

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

The Pension Scheme applying during the financial year 2020/21 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

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

- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living.

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

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

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

Employers in the Pension Fund

There were 41 employers with active scheme members in the Pension Fund during the financial year 2020/21, including the London Borough of Hackney itself. During the year 2 new employers were admitted, whilst 3 previous employers ceased. Employers in the Fund fall into either ‘Scheduled body’ or ‘Admitted body’ status.

The following Table outlines the membership profile for all of the employers in the Fund. Membership Profile as at 31st March 2021

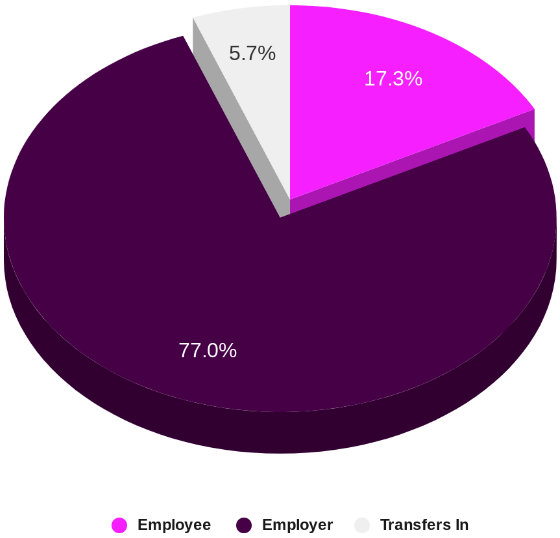
Employer Name	Active	Deferred	Pensioner	Total
LONDON BOROUGH OF HACKNEY	6,502	8,581	6,870	21,953
PETCHEY ACADEMY	76	174	7	257
MOSSBOURNE COMMUNITY ACADEMY	70	114	8	192
BRIDGE ACADEMY	68	73	4	145
SKINNERS	52	61	3	116
CITY ACADEMY	48	77	2	127
MOSSBOURNE (PARKSIDE ACADEMY)	34	20	1	55
MOSSBOURNE (VICTORIA PARK ACADEMY)	32	35	1	68
BROOKE HOUSE SIXTH FORM COLLEGE	30	87	16	133
CLAPTON GIRLS ACADEMY	28	58	4	90
ARBOR ACADEMY TRUST (NORTHWOLD ACADEMY)	19	0	7	26
CITY OF LONDON ACADEMY (SHOREDITCH PARK)	16	9	0	25
MOSSBOURNE (RIVERSIDE ACADEMY)	15	5	0	20
EKO TRUST	12	22	1	35
LUBAVITCH FOUNDATION	9	5	0	14
COMMUNITY SCHOOLS TRUST	7	2	0	9
THE BOXING ACADEMY	6	7	0	13
LUBAVITCH MULTI ACADEMY TRUST	2	18	2	22
RENAISI	1	41	13	55
PEABODY TRUST	1	5	1	7
MANOR HOUSE DEVELOPMENT TRUST	1	0	0	1
GREENWICH LEISURE LTD	12	12	3	27
MULALLEY	6	0	2	8
COMPASS GROUP (RANDEL CREMER)	5	0	0	5
OLIVE DINING	5	0	0	5
JUNIPER PURSUITS	4	0	0	4
CIS SECURITY LTD	3	1	0	4
CATERLINK	2	3	1	6
PJ NAYLOR (DAUBENEY)	2	1	3	6
FIT FOR SPORT (BETTY LAYWARD)	2	0	0	2
PJ NAYLOR (GRASMERE)	2	0	0	2
SND CLEANING SERVICES (OUR LADY & ST JOSEPHS)	2	0	0	2
FIT FOR SPORT (GAYHURST)	1	6	0	7
BIRKIN CLEANING SERVICES (JUBILEE & GAYHURST)	1	1	0	2
COMPASS GROUP (RUSHMORE)	1	1	0	2
PJ NAYLOR (BADEN POWELL)	1	1	0	2
COMPASS GROUP (NIGHTINGALE)	1	0	0	1
PJ NAYLOR (ST MARY'S COE SCHOOL)	1	0	0	1
SND CLEANING SERVICES (HOLMLEIGH)	1	0	0	1
SND CLEANING SERVICES (SHOREDITCH PARK)	1	0	0	1
WESTGATE CLEANING SERVICES	1	0	0	1
CEASED EMPLOYERS	0	932	553	1,485
TOTAL	**7,083**	**10,352**	**7,502**	**24,937**

Financial Performance Review

Member Cashflows

Contributions

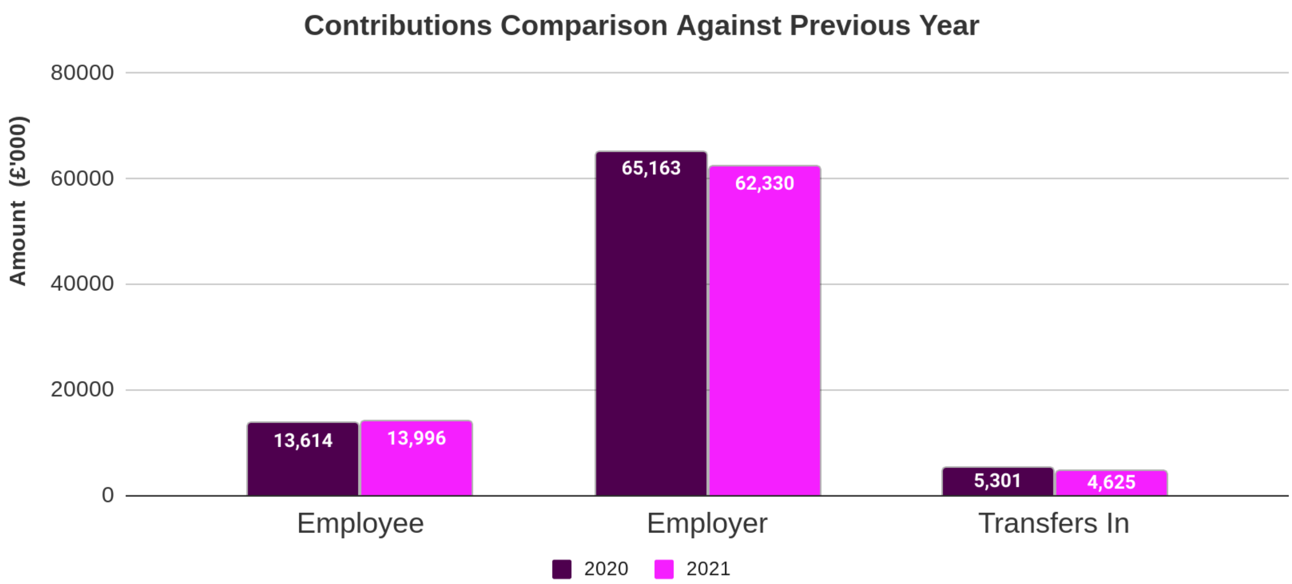
Total contributions (including transfers) into the Fund during 2020/21 amounted to £81.0 million compared to £84.1 million for 2019/20. Contributions paid by employees are set by statute and during 2020/21 were in a range of 5.5% up to 12.5% dependent on pensionable pay. Employee contributions amounted to 17.3% of total contribution income during the financial year. Transfers of pension contributions into the Fund from other pension funds amounted to 5.7% of total contributions.



Employer contribution rates are set by the Fund's Actuary; the minimum contribution rates for each employer in the Fund are set out in the Rates and Adjustments certificate from the 2019 actuarial valuation.

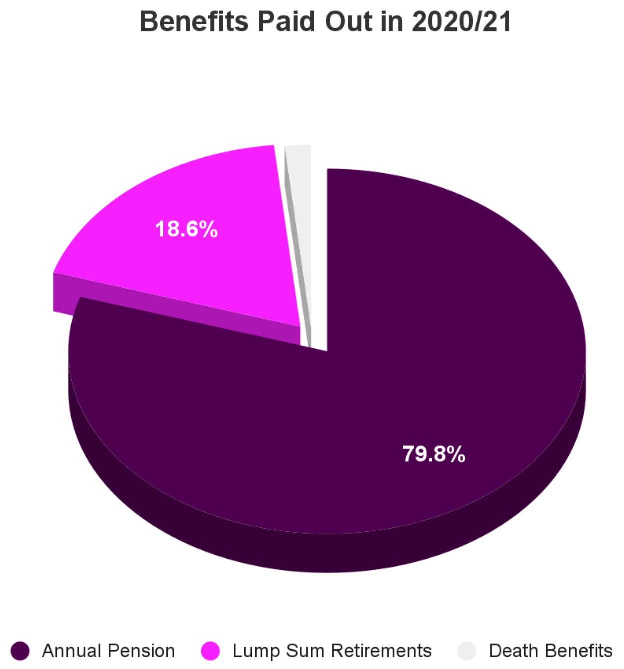
As can be seen from the chart the largest source of contributions remains employers (on behalf of employees and former employees). Employer contributions amounted to 77% of contribution income during the financial year.

The chart below shows the actual sums being contributed by employees and employers and the value of transfers-in during the 2020/21 financial year along with comparators for the previous financial year.

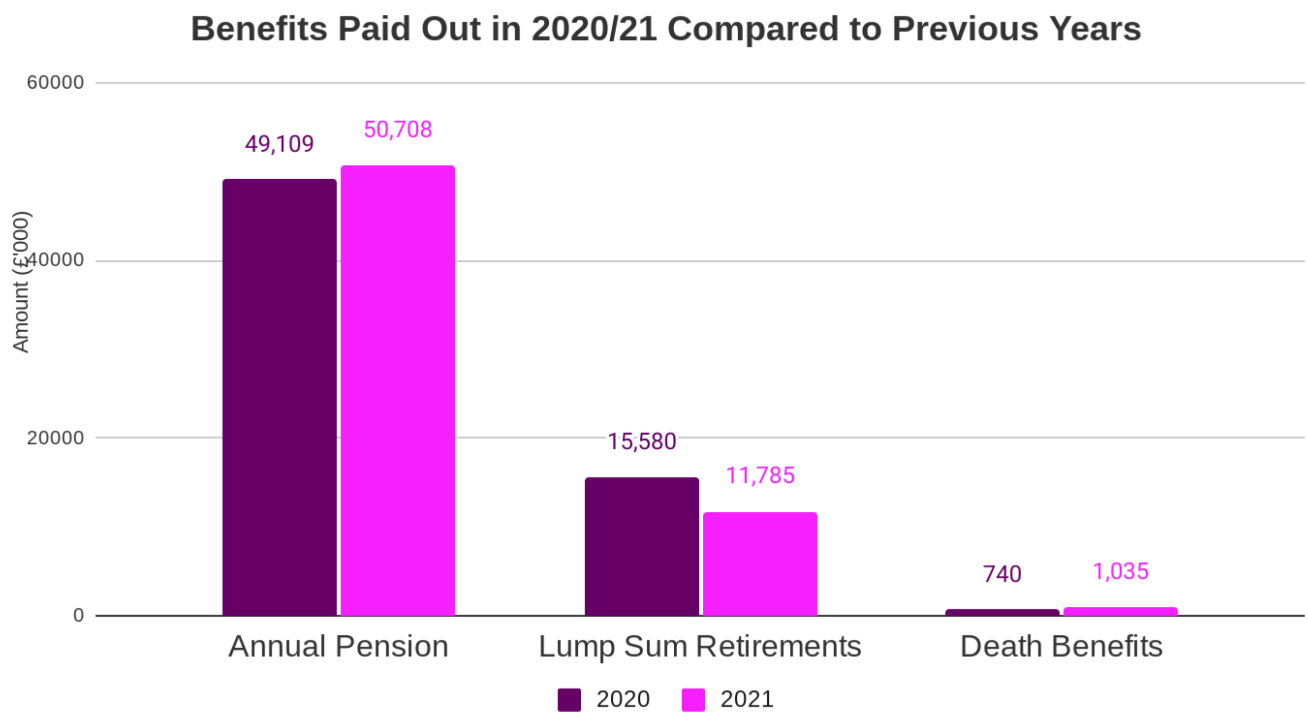


Benefits

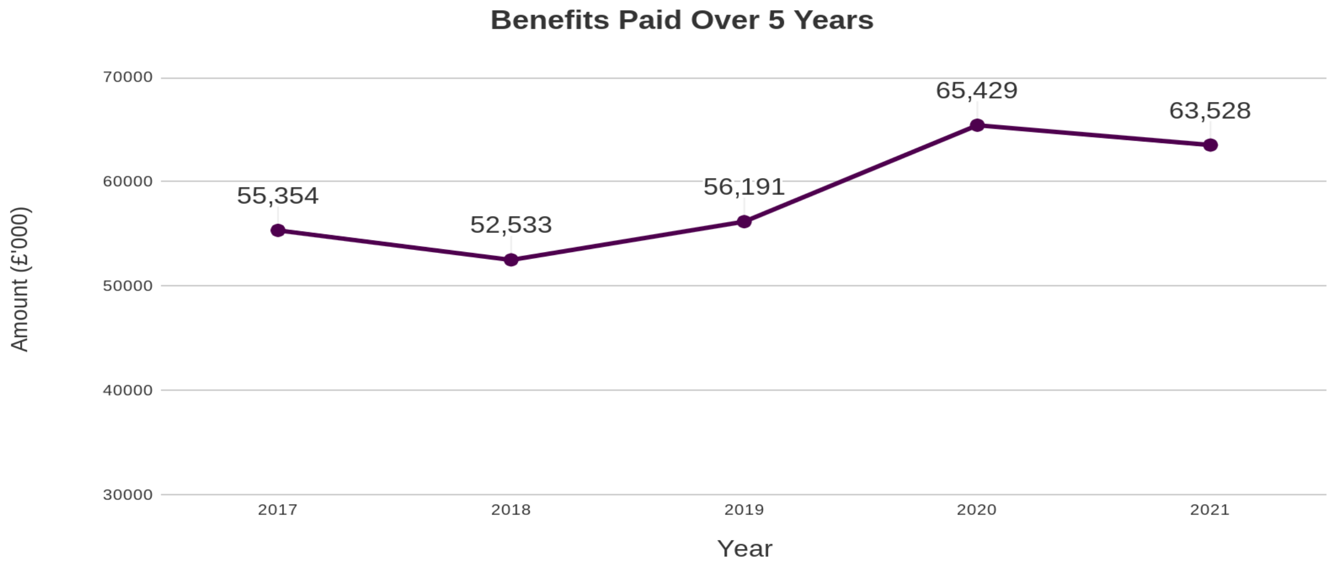
The benefits paid out from the Fund comprise annual pensions, lump sum payments on retiring and, where applicable, death in service payments, whereby lump sums equivalent to 3x final salary are paid out to nominated beneficiaries. Total benefits paid out during 2020/21 amounted to £63.5 million compared to £65.4 million for the year 2019/20. Benefits paid during the year were as follows: 79.8% pensions, 18.6% lump sums and 1.6% death related benefit payments.



Looking at the year-on-year changes, annual pension payments increased by 3.3%, reflecting both a slight increase in the number of pensioners by 2.9%. Lump sum payments reduced by 24.4% over the year; a combination of member choice on lump sum commutation and as a result of the number of pension benefits accrued pre-2014 when the scheme changed. Death benefits increased significantly by 39.9% in a year which experienced a high level of mortality during the Covid-19 pandemic.



The chart below shows the change in benefit payments for the Fund over a five-year period.



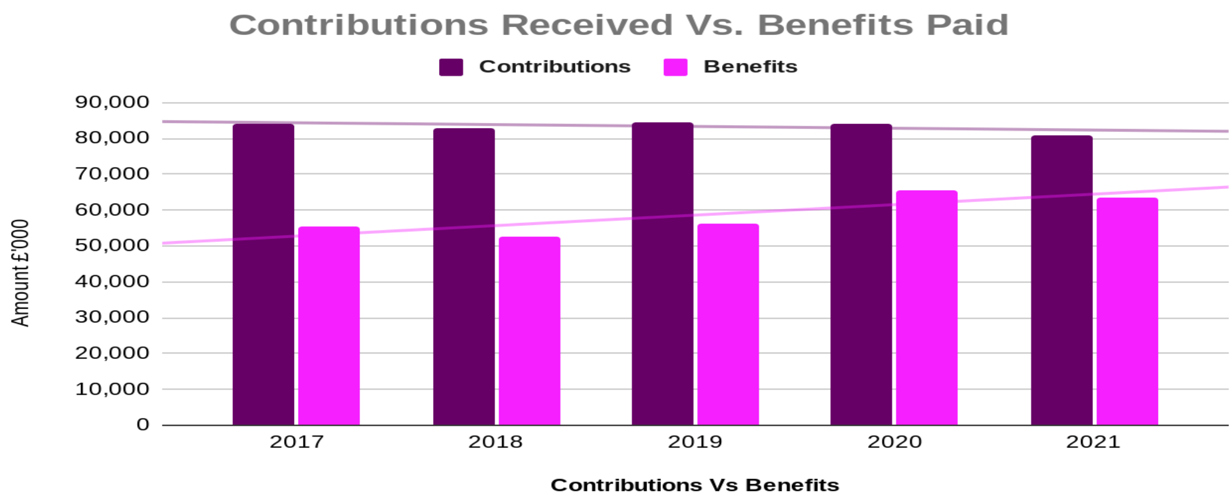
Pension benefits being paid out of the Fund have generally increased over the past 5 years, with a slight fall in 2017/18 and again in 2020/21. Much of the steady increase in previous years was driven by inflationary increases rather than a large increase in the number of pensioners.

Transfers in and out

Transfers into the Fund during the year totalled £4.6m, compared to £5.3m during 2019/20. The Fund has also paid refunds to members who have opted out of the scheme and made individual transfers to other schemes. For 2020/21 the total value of payments to and on account of leavers was £6.4 million, compared to £8.0 million in 2019/20.

Overall Member Cashflows

Contribution payments into the Fund continue to exceed the sums paid out in benefits each year, making the Fund cash flow positive. The chart below provides readers with the comparison of contributions paid into the Fund over the last 5 years compared to the levels of benefits paid out. As the Scheme matures, the gap between contributions and benefits is narrowing over time. The Pensions Committee continues to monitor the cash flow position on a regular basis.



Management Expenses

Management expenses incurred during the year totalled £12.0m (£9.9m in 2019/20), which comprised administrative costs of £849k (£842k in 2019/20), oversight and governance costs of £1,166k (£991k in 2019/20) and investment management costs of £9,988k (£8,037k in 2019/20).

Investment management costs increased significantly from 2019/20. The key drivers of the rise in costs have been an increase in indirect fund manager fees disclosed via the LGPS transparency code template; which provides greater detail on the breakdown of investment costs. The other key driver is due to the increase in assets under management during the year.

2021/22 Budget

The Pensions Committee agrees the budget for the Pension Fund on an annual basis and monitors progress quarterly, taking into consideration anticipated income and expenditure for the forthcoming year along with a comparison to the forecast set in the previous year. The summary below presents the budget for 2021/22 relative to the 2020/21 outturn and sets out the key assumptions made.

Net cash inflows from members are expected to increase slightly from £11,029k in 2020/21 to £11,274k in 2021/22. Whilst employer contributions are expected to fall over the next year as a result of a decrease in the Council's contribution rate from 31.5% to 30.0%, it is expected that this will be partly offset by increases resulting from any agreed pay rise . 2020/21 also saw unusually low levels of transfers in transfers out. Accurately forecasting these elements is challenging as they are driven by member behaviour; however, in the absence of other information it is reasonable to assume that both may revert towards the mean during 2021/22.

Key assumptions made around member cash inflows are as follows:

- Employee and employer contributions are assumed to be increased by the national pay award for Hackney employees for 2021/22
- No material change in active member numbers is assumed, with no significant movement between contribution bands
- Employer contribution rates have been adjusted for 2021/22; the most significant change is a reduction in Hackney's contribution rate from 31.5% to 30.0% of pensionable pay. This has driven the bulk of the net change in employer contributions.

Key assumptions made around member cash outflows are as follows:

- Annual pension and lump sum payments are assumed to increase by 0.5% in line with the Consumer Prices Index (CPI), driving the forecast increase in pensions payable. This is significantly lower than the 1.7% increase during 2020/21.
- No material change in pensioner numbers, profile or number of deaths is assumed.
- No significant change to lump sum commutation rates is assumed, thus maintaining the pre-existing balance between annual pensions payable and lump sum payments

Member cashflows are sensitive to changes in the membership profile of the Fund (e.g. the balance between active, deferred and pensioner members). No allowance has been made in the budget for changes in this balance as the in-year impact cannot be reliably estimated. However, over the longer term, the Fund is maturing and the ratio of pensioners and deferred to active members is increasing. Over time, this effect will reduce the Fund's net cash inflows, as contribution payments reduce relative to benefits paid out.

Operating costs are forecast to decrease from £12,003k in 2020/21 to £9,934k in 2021/22. Oversight and governance costs were relatively high during 2020/21 as a result of work on the one-off projects. Additional governance support may also be required as a result of staff changes but the costs of these when setting the budget was uncertain.

Administration costs are forecast to increase to £950k for 2022/22, versus £849k for 2020/21. Key costs drivers for the year are the Fund's third party administration costs and the McCloud and completion of the GMP projects. It should be noted that the costs of these, and particularly the McCloud project are challenging to estimate, as the extent of work required for each case is not known in advance.

Given the difficulty of producing a reliable estimate, investment management costs are forecast on the basis of the 2019/20 outturn. The majority of investment management fees are charged on the basis of assets under management; as these can fluctuate significantly during the year depending on market conditions, producing a reliable estimate is challenging. Significant increases in asset values during the year would improve the Fund's funding position but would result in an increase in investment management fees relative to budget, although costs are expected to reduce due to increased pooling.

Volatility in the Fund's investment income level makes producing a reliable full year estimate challenging; the 2019/20 outturn has therefore been used as the budgeted amount for 2021/22. Income from this source was particularly high in 2020/21 although part of the reason for this is increased transparency from fund managers.

Overall, the 2021/22 budget indicates a significant decrease in the Fund's net cash inflows, from £19,145k in 2020/21 to £13,105k in 2021/22. This is largely caused by reduction in investment income alongside an increase in overall member payments .

Pension Fund Budget & Forecast 2021/22			
	2019/20	**2020/21**	**2021/22**
	FY Outturn	**FY Outturn**	**FY Forecast**
Members Income			
Employers Contributions	(65,163)	(62,330)	(64,750)
Employees Contributions	(13,614)	(13,996)	(13,880)
Transfers In	(5,301)	(4,625)	(6,350)
	(84,078)	**(80,951)**	**(84,980)**
Members Expenditure			
Pensions	49,109	50,708	50,190
Lump Sum Commutations & Death Grants	16,320	12,820	16,459
Transfers Out	7,854	6,185	6,875
Refund of Contributions	181	209	182
	73,464	**69,922**	**73,706**
Net (additions)/withdrawals from dealings with members	**(10,614)**	**(11.029)**	**(11,274)**
Management Expenses			
Administrative Costs	842	849	950
Investment Management Expenses	8,037	9,988	8,037
Oversight & Governance Costs	991	1,166	947
	9,870	**12,003**	**9,934**
Net (surplus)/deficit from operations	**(744)**	**974**	**(1,340)**
Investment Income			
Investment Income	(11,765)	(20,119)	(11,765)
Net Investment Income/Expenditure	**(11,765)**	**(20,119)**	**(11,765)**
Cash flow before Investment Performance	**(12,509)**	**(19,145)**	**(13,105)**

Administration Review

Scheme Administration Arrangements

Pension administration and pension payroll was managed externally during the year, by the Fund's pension administrator Equiniti, with the contract being overseen by the Financial Services Section based at London Borough of Hackney. The original contract commenced on 1 April 2009; Equiniti were reappointed as the Fund's 3rd party pension administration provider during Q1 2017/18, with the terms of the new contract taking effect from 1 July 2018.

The Fund's contract with Equiniti covers a range of services, including record keeping for the Fund's active, deferred and pensioner members, benefits administration and payroll, maintenance of a separate bank account and accounting for member cashflows. The total cost of administration for the Fund (including the Equiniti contract) in 2020/21 was £849k, compared to £842k in 2019/20. This slight increase was the result of work on development of the Pension Fund website and pension data service interface.

Developments under the new administration contract include the following;

- Payroll Interface - meaningful progress has now been made on development of a new interface for the Council; however, this is likely to generate a significant backlog of data queries for Equiniti once up and running
- Communications suite (member letters, member factsheets, forms etc) – fully updated and improved, and are live on the website
- Scheme guides – both brief and full versions for members have been updated and are now in the process of being reviewed again to ensure they are kept as current as possible
- Employer's Guide to LGPS Pension Administration – electronic version complete and being loaded to the website with links to forms and other useful guides
- Static website – a completely new website was designed with access to Fund and LGPS information, member and employer on-line services
- MSS (member self-service) – secure access to pension data, testing completed and due to launch during 2021/22 following the onboarding of ESS
- ESS (employer self-service) – a secure portal for employers to upload member data directly to the administration system; data validation at the point of entry and rejection if not within set parameters. The onboarding was delayed due to the Covid-19 pandemic but at the time of writing employers are currently being trained with a view to onboard shortly
- Employer reporting – enhanced reporting on employer administration performance • Breaches reporting – enhanced 'breaches of the law' reporting enabling Fund to better assess material/non-material breaches

The developments currently being made under the new contract, will ensure that savings and efficiencies are achieved throughout the service with the introduction of:

- member self-service – secure log on facility enabling them to run their own early and normal retirement estimates, check their personal and service details and view ABSs
- employer self-service - secure log on facility to enable the upload and instant validation of monthly member data from scheme employers, thus improving the quality of data being received by the Fund
- better and quicker access to scheme guides and relevant LGPS forms – all available on the new user-friendly website reducing member and employer postal requests and phone calls for information
- payroll interfaces, most importantly for the main employer in the Fund, London Borough of Hackney, – will improve data quality for the majority of the membership and the timeliness of information received by the Fund

The performance of the pension fund administrator, Equiniti, is monitored by the Pensions Administration Team within Financial Services Section at Hackney Council. The team monitor Equiniti's performance with reference to the Service Level Agreement (SLA) and Key Performance indicators (KPI) as set out in the new contract. Meetings are held monthly to discuss performance against the SLA, workflows, data cleanse issues and planning of future work projects. Meetings also include discussion of specific administration cases and recommendations for enhancements to the service provision both to Hackney and to members of the scheme.

The administrators have developed a new pension website which is available for members, employers, and non-members, to find information pertaining to the LGPS www.hackneypension.co.uk. The site includes a members' area, with details of the benefits of being in the scheme, pension forms, a series of FAQs, a glossary of terms, relevant news items and how to contact either Equiniti or the in-house administering authority's pension team. The employer's area has been enhanced and now includes details of LGPS procedure notes and administration guides, as well as employer forms and links to other useful websites e.g., LGA, HMRC, Pension Regulator, Pension Ombudsman, Age UK etc.

The website also provides access to copies of the Fund's LGPS administration, governance and investment policies e.g., Pension Fund Report & Accounts, Investment Strategy Statement (ISS), Funding Strategy Statement (FSS), Communications Policy and the Pension Administration Policy (PAS), as well as details of how the scheme is run.

The Fund has a procedure for dealing with disputes from members (both active and deferred) called the Internal Disputes Resolution Procedure (IDRP). These arise mainly in relation to either scheme membership or the non-release of ill-health benefits. The process for members is as follows:

- Stage 1 - appeal to the Specified Person appointed by the Fund who will assess the case to ensure due process has been followed.
- Stage 2 – if still dissatisfied, the member can appeal to the Administering Authority, who will appoint a Specified Person who will again assess the case and make a determination.
- Stage 3 - if still dissatisfied, the member can appeal to the Pension Ombudsman, who will make the final determination on the case. The findings of the Ombudsman are legal and binding and no further action can be taken by the individual.

Full details of who to contact at Stage 1 & 2 are contained in the factsheet - IDRP – Internal Disputes Resolution Procedure - available on the pension website at https://hackneypension.co.uk/documents-library/member-factsheets ,or copies can be obtained either from Equiniti or the administering authority's in-house pension team at the London Borough of Hackney. The factsheet also provides full details of how and when to contact the Pension Advisory Service, and the Pension Ombudsman, if members are wanting to seek some additional guidance and assistance with the appeal process.

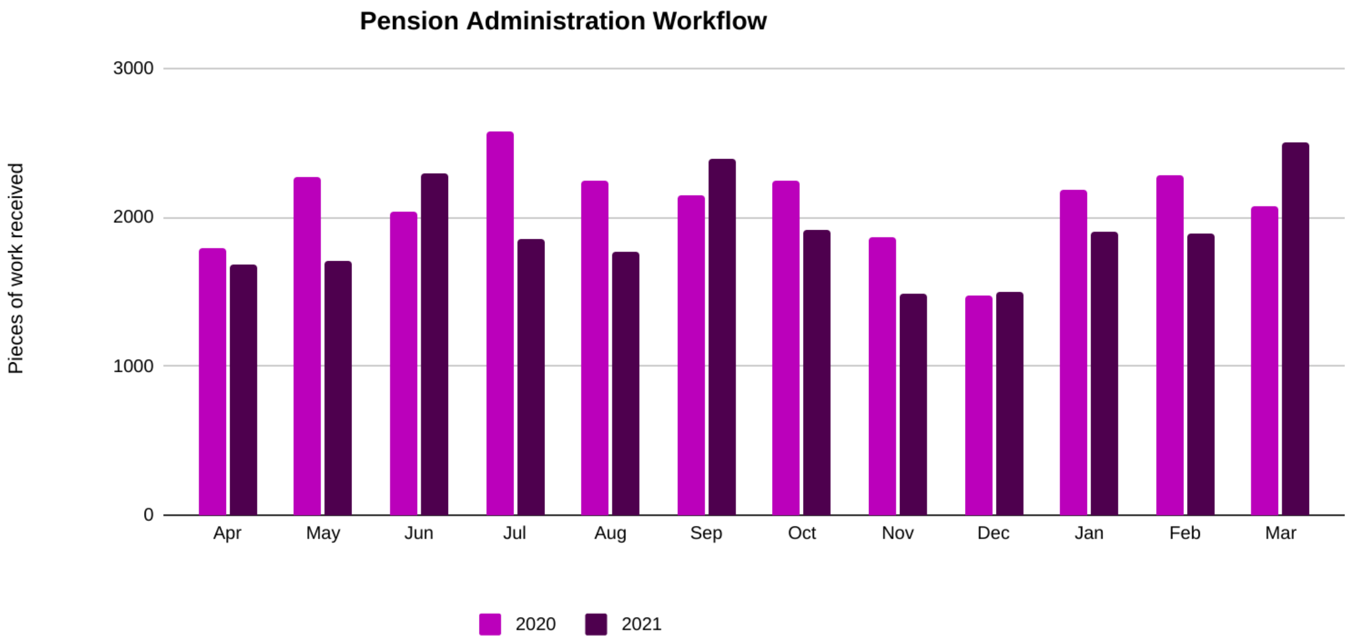
The number of completed IDRP cases in the year was 7. The analysis is as follows:-

Case Type	Resolution
Non release of benefits under ill health	Upheld – was sent back to Employer for reassessment under the ill health process
Delay in transfer out quote	Upheld and a requote provided
Refund dispute	Not upheld- refund was not due and a transfer out to subsequent LGPS has been made
Late retirement/maladministration claim	Upheld and pension is now in payment
Non release of benefits under ill health	Not upheld
Historic gratuity/part time working claim	Not upheld
CETV dispute	Upheld and the transfer out has now been made

Administration Management Performance

The performance of the pension fund administrators, Equiniti, is monitored by the Pensions Administration Team within the Financial Services Section at Hackney Council. Meetings are held monthly to discuss performance against service level agreements, workflows, data cleansing issues and planning of future work projects. Meetings also include discussion of specific administration cases and recommendations for enhancements to the service provision both to Hackney and to members of the scheme.

Over the last year the total cases received by the administrators have reduced from 25,218 cases in 2019/20, to 22,928 in 2020/21, a reduction of 2,290 cases. The average number of cases received monthly has decreased to 1,911 from 2,102 in 2019/20. The workload for 2020/21 in comparison to 2019/20 is shown in the chart below: -



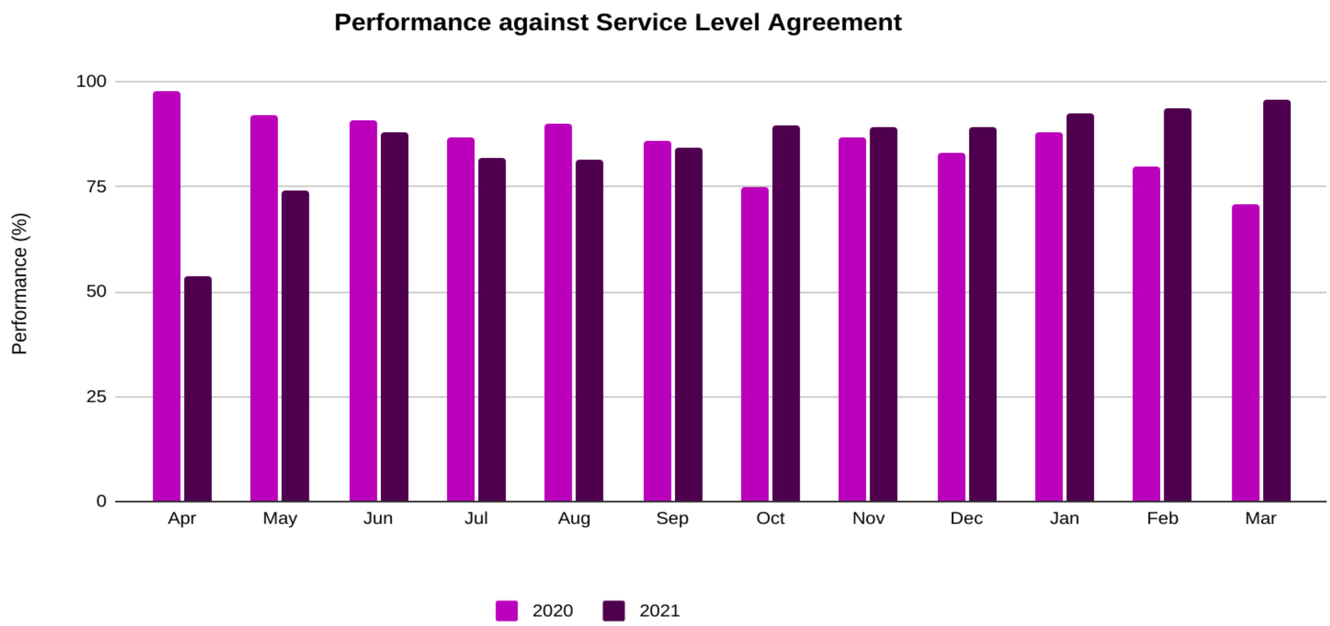
There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner. By 31st August 2020, the Fund had sent out 7,573 annual benefit statements to deferred members, with 1,413 statements withheld due to address or data issues. A total of 4,130 benefit statements were sent to active members within the timeframe, with some 2,500 missing the deadline. By 20th October the fund had sent out statements to all but 200 active members. Those that have not been sent are ongoing queries which the administration team are dealing with in conjunction with the employers. Equiniti's administration team then worked through the remaining population and issued statements once the data issue had been resolved. A separate exercise has commenced to try to trace up to date addresses for the deferred members where no current address is held.

It was disappointing that such a large proportion of statements were late this year given work that was done in previous years to improve the process. Some of this was due to the impact of Covid-19 on processes as well as some illness absences of key staff members at Equiniti. There were a total of 31 complaints made against the administrator from members of the Fund in the reporting year, which equates to 0.135% of the total workload. Of the 31 complaints, 16 were upheld and a correction and/or an apology was made by the administrator.

The cost of administration in 2020/21 was £849k, compared to £842K in 2019/20. The cost is made up of the third-party administration contract, including the administration of the pension payroll, and the internal costs associated with administering the Fund. This year the average cost of administering the Fund per member was £34.05 based on the current cost and membership at 31 March 2021, compared to £33.77 per member at 31 March 2020.

Members are free to contact the pension administrator, Equiniti, at any time with any queries or questions they may have in regard to their record and/or their future benefits. Newsletters, the website and scheme updates provide contact details for Equiniti in respect of member record queries and the administering authority's in-house pension team at the London Borough of Hackney for any other questions, or to arrange a 1-2-1 meeting. Any contact is kept strictly confidential and secure in accordance with GDPR standards. All members were issued with a GDPR Privacy Notice providing them with details of the roles and responsibilities of data controllers, and the updated data protection laws, in May 2018.

Performance under the pension administration contract when compared to the service level agreement (SLA), was 85.7% for 2019/20 as a whole, and performance has decreased to 84.5% for the year 2020/21. The administration performance v SLA during 2019/20 in comparison to 2020/21 is shown in the chart below: -



It is clear that the administration performance has been affected by the "lockdown" measures and this is reflected in the SLA performance targets. This is particularly evident for the beginning of the lockdown period where staff had to adjust to new working conditions and financials were given priority as outlined above. However, the administering authority have continued to monitor performance through the monthly SRMs (service review meetings) with Equiniti, and the SLA targets have increased throughout the year.

Summary of other Activities Undertaken by the Fund

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

- The year-end pension payroll process has been completed for both the monthly and annual payrolls including the application of the pension increase (PI), reconciliation of the payrolls, production of P60s and reporting to HMRC
- System year end update of pension increase; Lifetime Allowance and Annual Allowance earnings and contribution histories was completed
- Data submissions:
  - FRS102 data submitted to the Actuary for 18 employers
  - Data submission for Club Vita longevity studies
  - 1 cessation valuation calculations for a ceased employer
  - Monthly HEAT data capture report to the Actuary
- Overpayment of pensions - identified overpayments to a value of £35,529.50 occurred during the year. These were as a result of late death notifications and re-employment cases. Out of these overpayments £13,723.44 has been recovered.

Below is the number and trend of the top case types the administrators have dealt with in the year 2020/21:

Case Type	Number in Year
Death Notifications	522
Leavers including opt outs	3,058
New Entrants	1,483
Transfer In	634
Transfer Out	815
Retirement Quote	1,473
Retirement Finalisations	650
GMP	46
Divorce	74

GMP Reconciliation exercise – Officers continue to work with the pension administrators, Equiniti, on a phased reconciliation project. The project is being undertaken by a specialist team within Equiniti's discontinuance department, and is separate from the main administration service provided to the Fund. It is run on a phased basis, with the scope and estimated costs being agreed for each phase prior to approval.

As at the start of 2020/21, the Fund's records were 100% reconciled. Phase 2 of the project was therefore complete and the Fund moved to Phase 3 (Rectification and certification of records). Rectification of records is currently taking place, with pensioner payroll being adjusted in October and November 2021.

Pre-retirement workshops -The Pensions Team arranged a series of 'Pre-retirement workshops' with a company called Affinity Connect, aimed at members who are thinking of retiring within the next 2 to 5 years. These workshops began in May 2018, and during 2020/21, due to the Covid-19 lockdown, Affinity were able to switch to remote sessions and these were held in June, September, November, January and March. Affinity provides the facilitator, learning material and bookings for the seminars/workshops free of charge to the Fund and are aimed at members who are thinking of retiring within the next 2 to 5 years. Feedback from the sessions has been very positive.

Annual Employers' Forum - The annual Employers' Forum was held on 9 March 2021, and was attended by 12 of the Fund's employers. The Forum's agenda was varied and covered subjects from the Fund overview, the McCloud Judgement and the forthcoming launch of employer self-service. Equiniti presented the year-end data timetable & processes for the annual benefit statements, whilst the Fund Actuary (Hymans Robertson) provided a valuation update. Aon, the Fund's benefits and governance consultants, provided an update on hot topics within the LGPS.

New & Ceasing Employers - During the year the Fund has admitted 1 new admitted employer and 1 contracts has ceased; breakdown is as follows:

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
Juniper Pursuits	26/10/2020		
Turners Cleaning		28/02/2021	TBC

Redundancy Exercises for Departmental Budget Purposes - In 2020/21, the administering authority's pension team received a total of 422 redundancy estimate requests, some of these were for members over the age of 55 who will have their pension released. The team provided member leaver paperwork for 38 employees who were made redundant.

Ill-Health Retirements

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

Ill Health Retirements April 2020 to March 2021			
Deferred to Ill Health	Active to Tier 1	Active to Tier 2	Active to Tier 3
7	7	0	2

McCloud Remedy

In 2014 and 2015 the Government introduced changes to public service pension schemes, including the LGPS, for future service, moving from final salary to career average revalued earnings (CARE) benefits and increasing the normal pension age to be in line with state pension age. The changes applied to existing members as well as new joiners, but older members were given protection against the changes. The Court of Appeal has ruled that, in the Judges and Firefighters' Schemes, these changes were discriminatory against younger members and so the Government gave a commitment to make changes to all public service pension schemes, including the LGPS, to remove this discrimination.

Regulatory changes are required to rectify the age discrimination identified in the transitional protections put in place across the public sector in moving from final salary to career average revalued earnings (CARE) benefits schemes in 2014 and 2015. The key features of the proposed remedy include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations are expected to be effective from 1 April 2023 and will be retrospective back to 1 April 2014.

The proposed changes will present a significant administrative burden to LGPS funds. At a fund level, the administering authority for the Hackney Pension Fund will need to:

- identify those in scope of the proposed extended underpin,
- obtain from employers the data needed to calculate final salary benefits,
- update all scheme member records,
- recalculate benefits for leavers in scope back to 2014,
- pay any underpayments and adjust pensions for those impacted,
- communicate with members and employers and
- make changes to systems and administrative processes to carry out ongoing administration under the new regime from the effective date.

It is expected that the remedial work will be required for a significant number of the Fund's scheme members and it will likely continue for two or three years. Despite this, it is envisaged that only a small number will see an increase in their pension benefits as a result of the new underpin.

In order to prepare the Hackney Pension Fund for the expected regulatory changes, the administering authority has set up a Programme to implement the changes in the regulations. The programme includes key officers from Hackney pensions, team members from Equiniti and consultants from Aon (providing Programme management, and technical assurance) and Hymans Robertson, the Fund's actuary.

Data collection and validation is well underway. Work is largely progressing as planned at this stage, although a large amount of work has been needed in order to collate and validate the historic council data following the 2017 system migration.

Risks continue to be monitored within the Programme governance structure, including oversight from the Programme Management Group. These risks are actively managed and the overall Programme risk is now included in the Fund risk register.

Pension Administration Strategy (PAS)

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

The aim of the Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy also provides clarity on the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

The Pensions Administration Strategy has a number of specific objectives, including:

- 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.

The Pension Administration Strategy (PAS) is reviewed and updated on an annual basis, or as and when regulations change. The updated PAS 2020/23 was applied during this financial year.

Through a rolling programme of training, site visits and seminars, the Liaison Officer-Pensions has continued to enhance the relationship between employers, payrolls and the administrators which has helped to promote a better understanding amongst employers of what their responsibilities are towards the Fund and their own employees. Most of these sessions have now been held online due to the pandemic but the feedback received is always positive.

Dedicated 1-2-1 sessions for scheme members continue to be popular (although these have switched to mostly online/by telephone) and help to clarify any issues concerning their personal situation in regard to their pension benefits. The in-house Pensions team have worked hard to explain the provisions of the Scheme to both employers and scheme members. The team have also presented at weekly induction sessions for new employees, ensuring they are provided with information on the benefits of the Pension Scheme. These induction sessions have been held remotely and an induction video has also been used. Feedback from these sessions continues to be extremely positive, with enquiries to the inhouse pension team being generated which has led to greater engagement with members.

Monitoring of Employers and Data

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

During 2020/21, the Fund sought to recoup additional administration costs from several employers and schools not complying with the Pensions Administration Strategy. Where there are instances of non-compliance, additional administration costs are recouped directly from those employers and schools concerned in regard to data irregularities, late payment of contributions or late submissions of data during the year. Contribution collections are subject to rigorous monitoring and the pursuit of correct payments and supporting documentation remains of paramount importance to the administrators.

Employers and schools administration performance has been monitored over the year, and assistance and additional training has been provided to help support them with administering the scheme. Additional administration charges were issued to a number of employers in the year, but only where persistent failure to deliver accurate and timely information, despite the additional support, has arisen. The Fund also had to be mindful of the additional strain placed on employers this year due to the covid-19 pandemic.

All member data including from the Fund's employers, including the monthly contribution payment and supporting data, is only sent to Equiniti using the secure upload facility Sharefile. Sharefile can only be accessed by authorised uses at each employer, and employers can only access their own folder within the system. This ensures the secure and timely transfer of personal data between all parties.

A breakdown of late submissions in relation to contributions and supporting data, is provided below: -

Month	Description	Number of Late Submissions
Apr-20	Contributions	0
	HK221 data	2
	Levy raised	0
May-20	Contributions	2
	HK221 data	5
	Levy raised	0
Jun-20	Contributions	1
	HK221 data	4
	Levy raised	1
Jul-20	Contributions	0
	HK221 data	0
	Levy raised	0
Aug-20	Contributions	1
	HK221 data	0
	Levy raised	1
Sep-20	Contributions	6
	HK221 data	5
	Levy raised	1
Oct-20	Contributions	2
	HK221 data	1
	Levy raised	0
Nov-20	Contributions	2
	HK221 data	0
	Levy raised	0
Dec-20	Contributions	2
	HK221 data	1
	Levy raised	0
Jan-21	Contributions	1
	HK221 data	3
	Levy raised	1
Feb-21	Contributions	1
	HK221 data	2
	Levy raised	0
Mar-21	Contributions	5
	HK221 data	1
	Levy raised	0

A continuous programme of improving the relationships between employers, payroll providers and Equiniti, the scheme administrators, has assisted in ensuring employers are aware of the importance of correct reporting and the timely submission of data. The future introduction of ESS – employer self-service – will further enhance the quality and timeliness of employer data, thus improving the common data scores as reported to the Pension Regulator. The necessary data reports were run in October 2020 by Equiniti with the scheme scoring 94% for common data and 77% for scheme specific data. From the results of this common data report, a number of issues and associated risks were identified and a data improvement plan has been developed and implemented to improve the data in the interim, until ESS can be fully rolled out.

The impact of these on-going data improvements has been reflected in the 2019 scheme valuation exercise, for which improved and more accurate member data was submitted to the Fund actuary. Future improvements should further enhance accuracy, leading to improved common and scheme specific data scores and assisting in the timely production of ABSs. The emphasis for the Fund will therefore remain on building relationships with employers and ensuring that the data supplied in respect of employees is accurate.

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

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

The Code requires Schemes to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions

During 2020/21, a breach was reported to tPR in respect of not meeting the deadline for issuing all annual benefit statements on time. Steps were put in place to mitigate the risk of recurrence and to ensure the outstanding ABS were sent out to members.

General Scheme Membership

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

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

As can be seen from the following chart, Active membership has decreased by 0.58% over the last financial year. Deferred memberships have decreased by 1.56% and Pensioners have increased by 2.89%. Overall, membership has increased by 0.02%, from 24,931 to 24,937 members.

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

Membership of the scheme has increased consistently over the past years, but has remained more static in the last 2 years, with 2020/21 seeing a slight increase in pensioners.

Risk Management Review

Risk Register

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

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

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

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

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

The Pensions Committee's quarterly update report includes a section on risk management which summarises the likelihood and impact of risks faced by the Fund and the controls in place, and highlights high-level, new and deteriorating risks.

The key risks identified on the Fund's risk register include:

1. Governance Risks
    a. Recruitment and Retention
    b. Knowledge & Skills
    c. Conflicts of Interest
    d. Internal Fraud
    e. Data protection
    f. Reliance on external systems
    g. Business continuity failure
    h. External factor / regulatory risk

2. Funding and Investment Risks
    a. Asset risk
    b. Level of employer contributions
    c. Other investment provider risk
    d. Asset pooling risk
    e. Responsible investment risk
    f. External factor / regulatory risk
    g. Employer covenant / affordability risks

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

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

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

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

Investment Policy and Performance Review

Asset Allocation

The table below sets out the Fund's target asset allocation as per its Investment Strategy Statement (ISS) relative to its actual asset allocation as at 01 April 2020 and 31 March 2021.

Asset Class	Target Allocation	Actual Allocation 01/04/2020	Actual Allocation 31/03/2021
UK Equities	10.0%	8.1%	8.3%
Global Equities (inc. UK)	36.0%	40.2%	43.8%
Emerging Market Equities	4.5%	4.4%	5.3%
Total Equities	50.5%	52.7%	57.4%
Property	10.0%	10.4%	8.4%
Multi Asset	12.5%	10.4%	9.3%
Bonds	17.0%	22.3%	18.7%
Alternative Credit	10.0%	3.5%	5.5%
Other investments (inc. MMFs)	0.0%	0.7%	0.7%
Total	100.0%	100.0%	100.0%

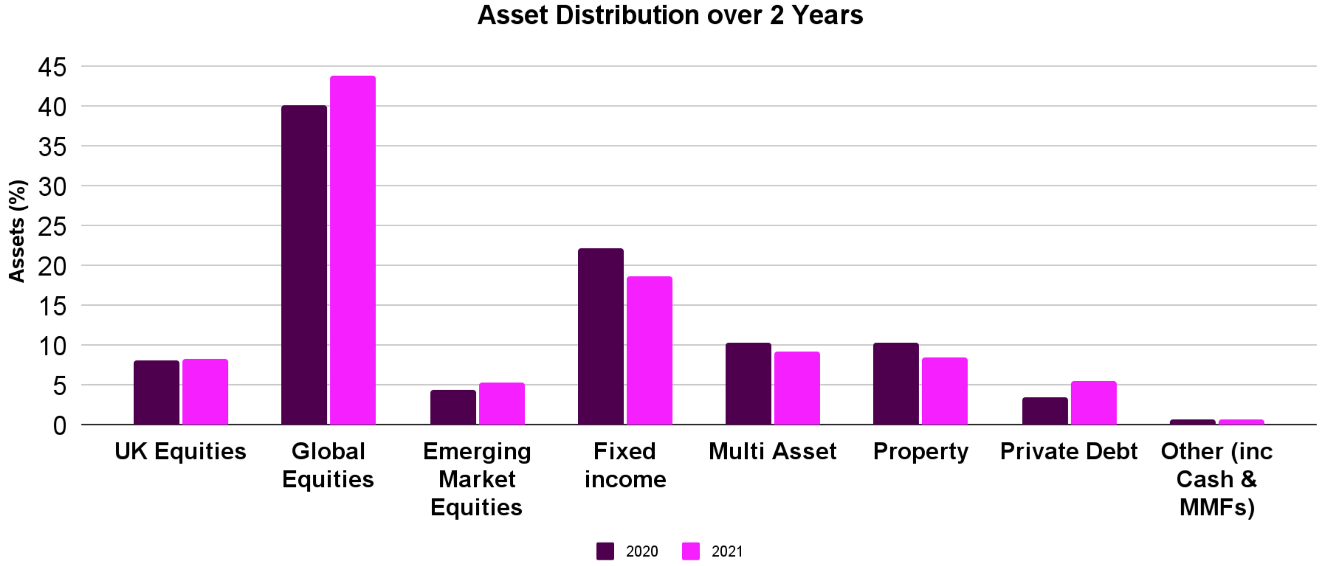
The Fund has made minor changes in its asset allocation during the year in line with a planned restructure set out in the Investment Strategy Statement (ISS). The key aim of the restructure was a planned overall reduction in the Fund's equity exposure from 60.5% to 50.5%, with the proceeds to be used to fund a 10% allocation to alternative credit.

The Fund has to date reached an interim point in this restructure. The reduction in the Fund's equity exposure has been partially completed via an interim allocation to bonds, and the Fund has appointed 2 private debt managers to manage its alternative credit allocation. This allocation will be funded over a period of approximately 2 years, and will be funded from the Fund's global equity and bond portfolios. The Fund is therefore currently overweight global equities and bonds relative to its target allocation.

The allocation of investments was reviewed prior to year-end and the Pensions Committee made a commitment to invest 5% of assets in a renewable infrastructure fund and 10% of assets in a new private debt fund. Similar to the other two private debt funds, these new investments will be funded by a reduction in equities and the interim allocation to bonds; which will further align the equities exposure closer to it's target. As at 31st March 2021, the balance of the new investment funds was nil and is due to increase within the following year.

As at 31st March 2021, the Fund held 15.8% of assets (active global equity) on LCIV's Authorised Contractual Scheme (ACS) platform, and 36.4% of assets (passive global and passive UK equity) in passive life funds and an ACS structure overseen by LCIV. 52% of the Fund's assets can therefore be considered to be pooled; the Fund's ambition is to pool approximately 85% of its assets over 5 years.

The following chart sets out how the distribution across the various asset classes has changed between the start of April 2020 and the end of March 2021.



The two new fund investments (renewable infrastructure fund and private debt fund) in the portfolio will be pooled via the London CIV asset pool. Drawdowns for these funds are set to commence during 2021/22. Aside from this, the fund managers for 2020/21 remain unchanged. The table below sets out the Fund's managers and the asset classes they manage as at 31 March 2020 and 31 March 2021.

Fund Manager	Value £'000	% of investment assets	Value £'000	% of investment assets
	2020/21	2020/21	2019/20	2019/20
BlackRock (UK Equity Index)	152,811	8.29%	120,173	8.12%
BlackRock (Global Equity Index)	518,438	28.11%	396,034	26.76%
BlackRock (Ultra Short Bond Fund)	88,974	4.82%	78,390	5.30%
LCIV/RBC (Global Active Equity)	290,405	15.75%	198,469	13.41%
RBC (Global Emerging Market Equities)	97,123	5.27%	65,784	4.44%
BMO (Fixed Interest)	255,782	13.87%	249,903	16.88%
Threadneedle (Property)	155,736	8.44%	153,689	10.38%
GMO (Global Real Return)	104,421	5.66%	86,943	5.87%
Invesco (Global Multi Asset)	66,629	3.61%	67,304	4.55%
Churchill (Private Debt)	54,041	2.93%	38,248	2.58%
Permira (Private Debt)	47,222	2.56%	14,168	0.96%
Other investments (including MMFs)	12,668	0.69%	11,016	0.74%
Total	**1,844,250**	**100%**	**1,480,119**	**100%**

The Fund's custodian throughout the year was HSBC.

Market Review

For the 12 months to 31 March 2021, UK equities (FTSE All Share) returned +27%, while global equities (MSCI ACWI, in GBP) returned +39%. However, the rise in global equities for sterling-based investors was offset by a stronger pound. Sterling had weakened sharply alongside equity markets in March 2020 in response to the growing COVID pandemic, before stabilising and then strengthening over the year as risk assets recovered.

Credit spreads, which had spiked higher when equity markets sold off in March 2020, recovered strongly, ending the period close to their pre-crisis lows. Government bond yields hit lows again in May 2020 before rising gradually over much of the year, spiking higher on vaccine developments in November and then accelerating further on fiscal stimulus expectations and the confirmation of Joe Biden as US president-elect in December.

As vaccine roll-outs gained momentum, with the UK to the fore, rising economic optimism supported risk assets, such as equities. Commodity prices also rose as manufacturing activity continued to recover and investor attention, in the latter part of the period, turned increasingly towards recovery sectors such as retail, property, travel and leisure, which had been most negatively impacted by lockdowns. Inflation expectations moved sharply higher in the first quarter of 2021, which caused bond yields to rise and prices to fall.

Generally economies have recovered from the COVID-19 downturn very quickly and OECD’s latest projections provide a much more optimistic outlook than most would have envisaged 12 months ago during the depths of the downturn. The recoveries have been aided by unprecedented levels of monetary and fiscal support, which cannot be sustained indefinitely and at some point; market participants will need to deal with the prospect of that support tapering off.

Investment Performance Review

The investment strategy and performance of the Fund is reported on a quarterly basis to the Pensions Committee. The investment performance of the Fund is measured by Hymans Robertson against a customised benchmark.

Over the year to 31st March 2021, the Fund returned +25.6%, above the local authority pension fund average of +22.7% and put the Fund in the 41st percentile of funds signed up to PIRC's Local Authority Pension Performance Analytics service (about 2/3rd of local authority funds). The Fund's strongest performing asset class in absolute terms was equities although all asset classes in which the Fund is invested returned positive results.

The Fund sets a performance benchmark for each external manager on appointment. For listed or frequently traded assets, this is generally an appropriate passive index; other appropriate indicators may be used for investments in private markets. For the year 31 March 2021, the Fund has measured performance against benchmark by asset class and manager, with performance disclosed separately for local and pooled assets.

Performance against benchmark by asset class for 2020/21 is set out in the table below. The Fund made no significant allocation changes during the year; however, it should be noted that both private debt mandates are still in the drawdown phase. Given the early stage of these mandates, no meaningful performance information is currently available

Fund Manager	Fund % Return	Benchmark % Return	Relative
BlackRock (UK Equity Index)	27.2	26.7	0.4
BlackRock (Global Equity Index)	49.6	48.9	0.5
BlackRock Low Carbon(Global Active)	37.4	36.8	0.5
BlackRock (Ultra Short Bond Fund)	0.7	0.1	0.6
LCIV/RBC (Global Active Equity)	46.4	38.4	5.7
RBC (Global Emerging Market Equities)	47.6	42.3	3.7
BMO (Fixed Interest)	4.1	1.1	3.0
Columbia Threadneedle (Property)	1.6	2.5	-0.9
Columbia Threadneedle Property (Low Carbon)	0.4	-1.5	1.9
GMO (Global Real Return)	20.1	0.8	19.1
Invesco (Global Multi Asset)	-1.6	-0.8	-0.8
Churchill (Private Debt)	-6.9	n/a	n/a
Permira (Private Debt)	11.3	n/a	n/a

Investment Management Expenses

Investment management expenses for the year to 31 March 2021 were £9.98 million, which represents an increase of £1.94m on 2019/20. Investment management expenses cover the fees charged by the Fund's individual investment managers, the London CIV and the Fund's custodian.

The Fund has made changes to the disclosure of transaction costs and other non-invoiced management fees following the update of the CTI template by the Cost Transparency Initiative; a combined group of the Investment Association, LGPS Scheme Advisory Board (SAB) abd Pensions and Lifetime Savings Association (PSLA). Managers are asked to disclose their fees in line with the categories set out in the template which include ad valorem management fees, performance fees, custody fees and transaction costs.

The table below sets out the Fund's investment management expenses classified according to type and asset class..

2020/21	Management Fees	Transaction Costs	Custody Fees	Performance Fees	Total
Asset Class	£'000	£'000	£'000	£'000	£'000
Bonds	439	-	-	-	439
Equities	99	-	-	-	99
Pooled Investments	3,351	1,867	129	-	5,347
Pooled Property Investments	2,724	184	-	-	2,908
Private Debt	1,147	2	6	-	1,155
Cash	-	-	5	-	5
Custodian	-	-	35	-	35
Total	**7,760**	**2,053**	**175**	**-**	**9,988**

Pool Reporting

The Fund began the process of pooling its assets during 2018/19. The Fund has been a member of the London CIV since its inception during 2014; however, 2018/19 was the first year in which it has held assets on LCIV's ACS platform or in arrangements overseen by LCIV. The Fund made no significant allocation changes during 2020/21 apart from the commitment to the Renewable Infrastructure Fund and Private Debt Fund; the proportion of assets pooled has therefore changed only as a result of changes in asset values and drawdowns to the Fund's private debt mandates.

The development of LCIV as an asset pool has incurred costs for its member funds since inception; the pool's aim is to offset these through reduced manager fees, improved performance and access to a wider range of assets. The Fund has calculated its cumulative costs and savings through asset pooling since 2014/15 and these are presented in the tables below:

Pooling set up costs:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs:								
Share purchase costs	-	150	-	-	-	-	-	150
Subscription costs	25	25	25	25	25	25	25	175
Other costs (development fee)	-			75	65	65	85	290
TOTAL SET UP COSTS	**25**	**175**	**25**	**100**	**90**	**90**	**110**	**615**
Transition costs:								
Transition fees (fees and commissions)	-	-	-	-	352	-	-	352
Other transition costs (taxes & other charges, bid-offer spread, pooled fund spread)	-	-	-	-	636	-	-	636
TOTAL TRANSITION COSTS	**-**	**-**	**-**	**-**	**988**	**-**		**988**

The Fund's costs associated with pooling are split between set-up costs (the costs of setting up the asset pool itself) and transition costs, which covers the cost of moving asset into pooled arrangements. The majority of costs to date have been incurred through the significant transition exercise the Fund undertook during 2018/19 to move its UK and global equity portfolios into pooled arrangements.

Set-up costs for the pool have been incurred mostly through the payment of an annual subscription charge of £25k, plus additional development funding payments during 2017/18, 2018/19, 2019/20 and 2020/21. The Fund has also contributed £150k in regulatory capital for the London CIV and this is held as an investment asset on the Fund's balance sheet.

Pooling costs and savings to date:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Set up costs	25	175	25	100	90	90	110	615
Transition costs	-	-	-	-	988	-	-	988
Fee savings	-	-	-	-	(230)	(668)	(637)	(1535)
NET SAVINGS REALISED	**25**	**175**	**25**	**100**	**848**	**(578)**	**(527)**	**68**

The table above presents the Fund's cost of pooling against its fee savings derived to date. The analysis has been provided by the London CIV and sets out the estimated fee savings generated from both the Fund's active sustainable global equity mandate, held via the CIV's Authorised Contractual Scheme (ACS) and its passive equity mandates, which are held by BlackRock via life funds and an ACS, but overseen by the CIV.

The analysis presents the estimated fees saved by comparing the current fees paid to the fees charged for same or comparable mandates prior to the introduction of asset pooling. As at 31st March 2021, set up and transition costs outweigh fees by £68K, but it is hoped that further savings and improved performance net of fees will be generated in future years. Since the introduction of asset pooling, the Fund has achieved further fee reductions within its equity portfolio by moving towards passive rather than active investment management; however, this saving has been outweighed by a shift towards more complex, illiquid assets in other areas of the portfolio.

Actuarial Review

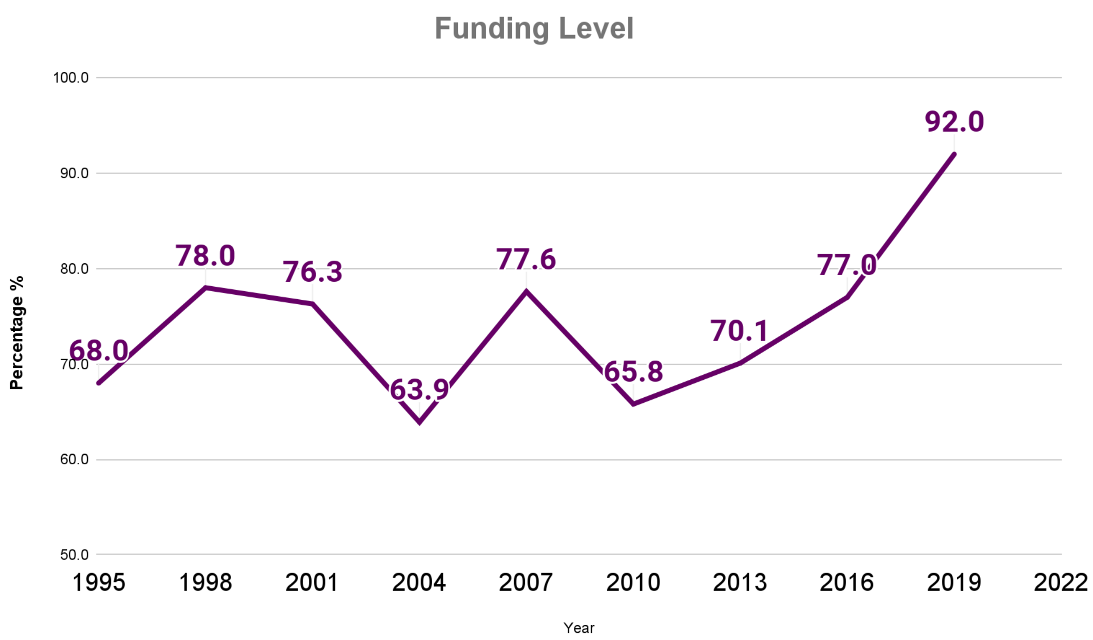
Background

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

Actuarial Valuation

The Fund actuary, Hymans Robertson, undertook a valuation of the Pension Fund as at the 31 March 2019, which showed an improvement in the funding position, from 77.0% to 92.0%, since the previous valuation in 2016. The most significant drivers behind this improvement were contributions greater than the cost of pensions accrual, greater than expected investment returns and changes to actuarial assumptions. The monetary deficit value decreased over the period from £349m to £131m.

Over the longer term the Fund is targeting a funding level of 100% and has set out its strategy for achieving this in the Funding Strategy Statement included within this Report and Accounts. The Funding Strategy Statement was approved by the Pensions Committee in March 2020. The Fund's historic long-term funding picture is shown in the graph below.



The triennial valuation also determines contribution rates for the Fund. The most recent valuation was carried out as at 31 March 2019, which set contribution rates for 2020/21, 2021/22 and 2022/23.

The 2019 valuation, which applied during the year, assessed the whole fund primary contribution rate as being 18.7% (15.8% in 2019/20), with a secondary rate monetary contribution of £23.543m (£35.542m in 2019/20). These figures are for the Fund as a whole and individual employer rates can vary significantly from the overall Fund level. Individual contribution rates payable by employers are set out in the Rates and Adjustment Certificate.

The employer contribution rate for the Council, the largest employer in the Fund was 31.5% (33.0% in 2019/20) for the year ending 31 March 2021.

The next actuarial valuation will be based as at 31 March 2022.

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

Report of the Fund Actuary

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

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Hackney Pension Fund ("the Fund").

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

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

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

Present Value of Promised Retirement Benefits

Year ended	31 Mar 2021 £m	31 Mar 2020 £m
Active members	1,018	659
Deferred members	835	640
Pensioners	889	824
Present value of Promised Retirement Benefits	**2,742**	**2,123**

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2021 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £523m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £26m.

Financial assumptions

Year ended	31 Mar 2021 % p.a.	31 Mar 2020 % p.a.
Pension Increase Rate	2.75%	1.90%
Salary Increase Rate	3.05%	2.20%
Discount Rate	1.95%	2.30%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves alongside future improvements based on the CMI 2020 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.50% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.3 years	23.8 years
Future Pensioners (assumed to be aged 45 at the latest formal valuation)	22.8 years	25.8 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

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

Sensitivity analysis

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

Sensitivity to the assumptions for the year ended 31st March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	252
0.5% p.a. increase in the Salary Increase Rate	1%	17
0.5% p.a. decrease in the Real Discount Rate	10%	274

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

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2021 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions

Prepared by:-

Gemma Sefton FFA

22 March 2021

For and on behalf of Hymans Robertson LLP

Audit Opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HACKNEY

Opinion on the Financial Statements of London Borough of Hackney Pension Fund

We have audited the financial statements of London Borough of Hackney Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of London Borough of Hackney Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's real estate fund assets as at 31 March 2020. As disclosed at Note 5, these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Group Director, Finance and Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Group Director, Finance and Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Group Director, Finance and Corporate Resources is responsible for the other information. The other information comprises the Annual Governance Statement information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Group Director, Finance and Corporate Resources for the financial statements

As explained more fully in the Statement of the Group Director, Finance and Corporate Resources' Responsibilities, the Group Director, Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Group Director, Finance and Corporate Resources is also responsible for such internal control as the Group Director, Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director, Finance and Corporate Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Group Director, Finance and Corporate Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Hackney, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley

Lucy Nutley 21 October 2021
For and on behalf of Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Statement of Responsibilities

The Authority's Responsibilities

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

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

The Chief Financial Officer's Responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Ian Williams, CPFA
Group Director, Finance and Corporate Resources

Statement of Accounts 2020/21

Fund Account

2019/20 £'000		Notes	2020/21 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(78,777)	Contributions	7	(76,326)
(5,301)	Transfers in from other pension funds	8	(4,625)
(84,078)			(80,951)
65,429	Benefits	9	63,528
8,035	Payments to and on account of leavers	10	6,394
73,464			69,922
(10,614)	**Net (additions)/withdrawals from dealings with members**		**(11,029)**
9,870	**Management Expenses**	11	**12,003**
	Returns on investments		
(11,765)	Investment income	12	(20,119)
94,393	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(351,463)
0	Taxes on Income		(20)
82,628	**Net returns on investments**		**(371,602)**
81,884	**Net (increase)/decrease in the Fund during the year**		**(370,628)**
1,575,232	**Opening net assets of the Scheme**		**1,493,348**
1,493,348	**Closing net assets of the Scheme**		**1,863,976**

Net Assets Statement

2019/20 £'000		Notes	2020/21 £'000
1,472,548	Investment Assets	13a	1,833,628
150	Long-Term Investment	13a	150
12,328	Cash Deposits	13a	10,606
1,485,026			**1,844,384**
(4,907)	Investment Liabilities	13a	**(134)**
1,480,119	**Net Value of Investment Assets**	13a	**1,844,250**
25	Long-term debtors	20a	158
18,886	Current Assets	20	22,741
(5,682)	Current Liabilities	21	(3,173)
13,229			**19,726**
1,493,348	**Net Assets of the Fund available to fund benefits at the period end**		**1,863,976**

Note: the fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

The Hackney Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Hackney.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2020/21, the Pension Fund website https://hackneypension.co.uk and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

It is a contributory defined benefit pension scheme administered by the London Borough of Hackney ("the Council") to provide pensions and other benefits for pensionable employees of the London Borough of Hackney and for the employees of admitted and scheduled bodies eligible to participate in the Fund. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pensions Committee with the Group Director of Finance and Corporate Resources being given delegated authority for the day to day operations of the Fund.

b) Membership

All local government employees (except casual employees, teachers and those eligible to be members of the NHS Pension Scheme) are automatically entered into the Scheme. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hackney Pension Fund include:

- Scheduled bodies, which include the local authority and similar aligned bodies whose staff are automatically entitled to be members of the Fund. It also includes Academy and Free School non-teaching staff.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector. As at 31st March 2021 there are 41 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2021	31 March 2020
Number of Employers with active members	41	42
Number of Employees in scheme		
Council	6,502	6,540
Scheduled bodies	524	478
Admitted bodies	57	106
Total	**7,083**	**7,124**
Number of pensioners		
Council	6,870	6,681
Scheduled bodies	56	43
Admitted bodies	23	21
Ceased Employers	553	546
Total	**7,502**	**7,291**
Deferred members		
Council	8,581	8,730
Scheduled bodies	767	725
Admitted bodies	72	85
Ceased Employers	932	976
Total	**10,352**	**10,516**
Grand Total	**24,937**	**24,931**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2019 with the next valuation due to take place at 31 March 2022. Current employer contribution rates can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2020/21 or within the Actuarial valuation on the Pension Fund Website:- https://hackneypension.co.uk

d) Benefits

Prior to 1 April 2014, pension benefits under LGPS were based on final pensionable pay and length of service.

April 2014, saw the implementation of LGPS 2014, a new Career Average Revalued Earnings (CARE) Scheme, based on a 1/49th accrual rate with retirement ages now linked to an individual member's state pension age. On average, contribution rates for employees have remained at 6.5%, however the contribution bands have widened and are now 5.5% to 12.5% at the top end. The new Scheme has also introduced the option for flexibility over contributions, i.e. a lower contribution for lower benefits, referred to as the 50/50 Scheme. It has not been possible to quantify the impact of these changes, although they have been designed to bring the future service costs of the Scheme down.

Details of the schemes are summarised below:

	Service pre 1 April 2008	Service post 31 March 2008	Service post 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 Career Average Revalued Earnings Salary
Lump Sum	Automatic lump sum of 3 x pensionable salary.	No automatic lump sum.	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the scheme guides which can be found at https://hackneypension.co.uk/.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code),* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 19) basis, is disclosed in Note 19 of these accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue recognition

a) Contributions income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay. „ Employer contributions are set at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

- Changes in the net market value of investments are recognised as unrealised profits/losses during the year.
- Realised profit/losses are recognised upon the sale of investments during the year.

Fund Account – Expense items

d) Benefits payable

Pensions and lump-sum benefits payable include those known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrevocable tax is accounted for as a fund expense as it arises. All income and expenditure in the Statement of Accounts is net of VAT, where recoverable.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: *Accounting for Local Government Pension Scheme Management Expenses (2016).*

i) Administrative expenses

All administrative expenses are accounted for on an accruals basis. Relevant staff costs and associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) *Oversight and governance costs*

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

iii) *Investment management expenses*

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

Where an investment manager's invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2020/21, there were no fees based on such estimates (2019/20 £163K fees estimated).

A similar procedure is used for custodian fees, and in 2020/21 there were no fees estimated (2019/20: no fees estimated).

The Fund requests that non-invoiced investment management fees (plus other associated costs such as transaction costs) are disclosed via the Cost Transparency Initiative template. Where cost information is not readily available for the year ending 31st March 2021 (e.g. for pooled funds using different accounting dates), an estimate will be made using the most recent information available.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis (with the exception of cash and debtors, which has been measured on an amortised cost basis), as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The Fund has contributed £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool. The investment is carried at cost as:

- the shares held in the LCIV do not constitute a joint venture or group arrangements due to lack of control
- the investment is not repayable on demand and does not meet FVOCI requirements and
- These shares are being held as a long-term investment with currently no intention to trade
- the fund is of the view that fair value at 31st March 2021 cannot reliably be measured.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are measured at fair value through bid prices and liabilities at fair value through offer prices. Changes in the fair value of derivative contracts are included in any change in the market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash-in-hand and deposits payable on demand and includes amounts held by the Fund’s external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash that are subject to minimal risk of changes in value.

k) Financial liabilities

The Fund recognises financial liabilities at fair value (with the exception of creditors measured on an amortised cost basis), as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note only (Note 19).

m) Additional Voluntary Contributions (AVCs)

The Hackney Pension Fund provides an Additional Voluntary Contributions (AVC) Scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC approved provider. AVCs are paid by members to the AVC provider and are used specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (Note 25).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 3, the Fund had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are as follows:

Pension fund liability

The Pension Fund carries out a funding valuation on a triennial basis, the assumptions underpinning the valuation are agreed with the actuary and are summarised in Note 18.

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation; the assumptions used are summarised in Note 19.

Valuation of Financial instruments carried at fair value – Level 2 and Level 3

Financial instruments at Level 2 are those where quoted market investments are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted debt investments (such as private debt), which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The Coronavirus pandemic has resulted in uncertainty over the valuation of the Fund's property assets; an estimate has been provided by the manager as the standard valuation approach, which uses observable inputs from the UK commercial property market, cannot be applied at this time. These assets have previously been classified as Level 2 but have been reclassified to Level 3 given the current uncertainty.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The pension fund liability shown in Note 19 is calculated on an IAS19 basis, with economic assumptions updated annually. It is therefore subject to a significant risk of material adjustment in forthcoming financial years. The table below presents a sensitivity analysis, setting out the likely impact of changes to key economic assumptions on the carrying amount of the liability shown in Note 19.

Change in assumptions at 31 March 2021	Approximate % increase to Pension Fund Liability	Approximate monetary amount (£m)
0.5% decrease in 'real discount rate'	10%	252
0.5% increase in the 'salary increase rate'	1%	17
0.5% increase in the 'pension increase rate'	9%	274

- In order to quantify the impact of a change in the financial assumptions used, the Fund's actuary has calculated and compared the value of scheme liabilities as at 31 March 2021 on varying bases. The approach taken is consistent with that adopted for IAS19.
- The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.
- In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).
- Please note that the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2021 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2020/21 £'000	2019/20 £'000
Employers' Contributions split by:		
Normal Funding	(37,935)	(31,986)
Deficit Funding	(24,395)	(33,177)
Members' Contributions	(13,996)	(13,614)
Total	**(76,326)**	**(78,777)**

By Employer	2020/21 £'000	2019/20 £'000
London Borough of Hackney	(72,042)	(74,514)
Scheduled Bodies	(3,965)	(3,851)
Admitted Bodies	(319)	(412)
Total	**(76,326)**	**(78,777)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

	2020/21 £'000	2019/20 £'000
Individual Transfers	(4,625)	(5,301)
Total	**(4,625)**	**(5,301)**

9. BENEFITS PAYABLE

By Category	2020/21 £'000	2019/20 £'000
Pensions	50,708	49,109
Commutation and Lump Sum Retirement Benefits	11,785	15,580
Lump Sum Death Benefits	1,035	740
Total	**63,528**	**65,429**

By Employer	2020/21	2019/20
London Borough of Hackney	59,129	61,114
Scheduled Bodies	2,900	2,884
Admitted Bodies	1,499	1,431
Total	**63,528**	**65,429**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2020/21 £'000	2019/20 £'000
Refunds to Members leaving service	209	181
Payments for Members joining state scheme	-	-
Group Transfers	-	-
Individual Transfers	6,185	7,854
Total	**6,394**	**8,035**

11. MANAGEMENT EXPENSES

	2020/21 £'000	2019/20 £'000
Administrative Costs	849	842
Investment Management Expenses*	9,988	8,037
Oversight and Governance Costs	1,166	991
Total	**12,003**	**9,870**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £8.234m (£6.457m in 19/20). The disclosure of the non-invoiced costs is made to the Fund via the Cost Transparency InitiativeTemplate. The introduction of the template is helping to ensure more accurate fee disclosures by managers, with greater detail provided with regards to transaction costs. Audit Fees of £16k (£16k in 2019-20) were incurred and are included in Oversight and Governance Costs in the above table.

11.A INVESTMENT MANAGEMENT EXPENSES

2020/21 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	439	-	-	-	439
Equities	99	-	-	-	99
Pooled Investments	3,351	1,867	129	-	5,347
Pooled Property Investments	2,724	184	-	-	2,908
Private Debt	1,147	2	6	-	1,155
Cash	-	-	5	-	5
Custodian	-	-	35	-	35
Total	**7,760**	**2,053**	**175**	**-**	**9,988**

2019/20 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	899	-	-	-	899
Equities	(97)	20	-	-	(77)
Pooled Investments	2,883	452	17	-	3,352
Pooled Property Investments	2,192	312	-	-	2,504
Private Debt	1,176	264	-	-	1,440
Cash	-	-	5	-	5
Custodian	(111)	-	25	-	(86)
Total	**6,942**	**1,048**	**47**	**-**	**8,037**

During 2019/20 differences in historic fund manager valuations reported between the fund's current custodian and previous custodian were written off (£111k). An estimate of £99k for management fees of an equities fund manager that exited the Fund was settled in 2020/21.

12. INVESTMENT INCOME

	2020/21	2019/20
	£'000	£'000
Fixed Interest Securities	(4,179)	(4,207)
Equity Dividends	(9,065)	(4,141)
Index Linked Securities	(185)	(392)
Pooled Investment Income	(1,064)	(549)
Interest on Cash Deposits	(68)	(176)
Other Income	(5,558)	(2,301)
Total	**(20,119)**	**(11,765)**

13. INVESTMENTS

The Fund's investments are held in a wide range of assets to ensure diversification, and to optimise returns whilst having regard to the management of risk. The movement in asset classes over the year is largely a reflection of the relative performance of those assets.

a. Analysis of Investments

A breakdown of investments held by the Fund's external managers across the various asset classes is below:

Investment type		Market value 31 March 2021 £'000	Market value 31 March 2020 £'000
Investment Assets:			
Fixed Interest Securities		**184,247**	**169,466**
Index Linked Securities		**53,706**	**63,733**
Equities		**150**	**150**
Pooled Investments	Corporate Fixed Interest	106,803	95,094
	Diversified Growth Funds	171,050	154,246
	Property	155,736	153,689
	Emerging Markets Equity - Active	97,123	65,784
	Global Equity - Active	290,405	198,469
	Global & UK Equity - Passive	671,220	516,179
	Private Debt	101,263	52,415
		1,593,600	**1,235,875**
Derivative Contracts			
	Forward Currency	60	711
	Futures	135	603
		195	**1,314**
Other Investment Assets			
	Cash Deposits	10,606	12,328
	Other Investment Balances	1,880	2,160
		12,486	**14,488**
Total Investment Assets		**1,844,384**	**1,485,026**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(0)	(86)
	Futures	(134)	(459)
		(134)	**(545)**
Other Investment Liabilities		**(0)**	**(4,362)**
Total Investment Liabilities		**(134)**	**(4,907)**
Net Investment Assets		**1,844,250**	**1,480,119**

b. Investments analysed by fund managers

As at 31 March 2021 the Fund's investments are managed by nine principal Investment Managers according to defined benchmarks which are set out in the Investment Strategy Statement (ISS). The following is a breakdown of the investments between the Investment Managers.

Fund Manager	Value £'000	% of investment assets	Value £'000	% of investment assets
	2020/21	2020/21	2019/20	2019/20
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	671,249	36.4%	516,207	34.9%
LCIV/RBC (Global Active Equity)	290,405	15.7%	198,469	13.4%
	961,654	**52.1%**	**714,676**	**48.3%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	255,782	13.9%	249,903	16.9%
Threadneedle (Property)	155,736	8.4%	153,689	10.4%
GMO (Global Real Return)	104,421	5.7%	86,943	5.9%
BlackRock (Ultra Short Bond Fund)	88,974	4.8%	78,390	5.3%
RBC (Global Emerging Market Equities)	97,123	5.3%	65,784	4.4%
Invesco (Global Multi Asset)	66,629	3.6%	67,304	4.5%
Churchill (Private Debt)	54,041	2.9%	38,248	2.6%
Permira (Private Debt)	47,222	2.6%	14,168	1.0%
Other investments (including MMFs)	12,668	0.7%	11,016	0.7%
	882,596	**47.9%**	**765,443**	**51.7%**
Total	**1,844,250**	**100%**	**1,480,119**	**100%**

c. Reconciliation of movements in investments and derivatives

For each asset class, the opening position is reconciled with the closing position as set out in the tables below.

Investment type	Market Value 31/03/2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2021
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	169,466	146,238	(131,837)	380	184,247
Index Linked Securities	63,733	3,194	(15,199)	1,978	53,706
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,235,875	119,019	(100,590)	339,296	1,593,600
Derivative Contracts					
Forward Currency Contracts	625	2,123	(3,634)	945	59
Futures	144	2,363	(3,398)	893	2
	1,469,993	**272,937**	**(254,658)**	**343,492**	**1,831,764**
Other Investment balances:					
Cash Deposits	12,328				10,606
Receivable for Sales	-				-
Investment Income due	2,160				1,880
Payable for Purchases	(4,362)				-
Net Investment Assets	**1,480,119**			**343,492**	**1,844,250**

The increase in market value of £343,492k is £7,971k less than the change in market value on the Fund Account of £351,463k, as the above movement includes indirect manager fees.

Investment type	Market Value 31/03/2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2020
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	150,714	94,991	(80,573)	4,335	169,466
Index Linked Securities	72,891	14,329	(26,087)	2,600	63,733
Equities	193	0	0	(43)	150
Pooled Investment Vehicles	1,295,903	47,034	(1,015)	(106,047)	1,235,875
Derivative Contracts					
Forward Currency Contracts	(342)	4,831	(2,949)	(915)	625
Futures	(662)	7,768	(5,741)	(1,220)	144
	1,518,695	**168,951**	**(116,365)**	**(101,289)**	**1,469,993**
Other Investment balances:					
Cash Deposits	26,817				12,328
Receivable for Sales	809				0
Investment Income due	1,538				2,160
Payable for Purchases	(42)				(4,362)
Net Investment Assets	**1,547,819**			**(101,289)**	**1,480,119**

The reduction in market value of £101,289k is £6,896k greater than the change in market value on the Fund Account of £94,393k, as the above movement includes indirect manager fees.

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange and futures contracts settled during the year. Further disclosure regarding derivative contracts can be found in Note 14.

d. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets of the fund:

Security	Market Value 31 March 2021	% of total fund	Market Value 31 March 2020	% of total fund
	£'000		£'000	
Threadneedle Property Fund (TPEN)	130,750	7.01%	127,759	8.56%
GMO (Global Real Return)	104,421	5.60%	86,943	5.82%
BlackRock Aquila Life UK Equity Fund	310,330	16.65%	120,173	8.05%
BlackRock ACS World Low Carbon Equity Fund	208,108	11.16%	151,404	10.14%
BlackRock Aquila Life MSCI World Equity Fund	152,811	8.20%	244,631	16.38%
LCIV RBC Sustainable Equity Fund	290,405	15.58%	198,469	13.29%
BlackRock Ultra Short Bond Fund	88,975	4.77%	78,390	5.25%

e. Stock Lending

The Fund did not undertake any direct stock lending activity during the year, but acknowledges that within pooled investments fund managers may participate in this activity.

14. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund may hold derivatives for risk management purposes, or to facilitate efficient portfolio management. The use of derivatives is managed in line with the investment management agreements agreed between the Fund and its investment managers. The Fund does not hold derivatives for speculative purposes.

Forward currency contracts

To maintain appropriate diversification and take advantage of overseas investment income, a proportion (maximum 30%) of the Fund's bond portfolio can be held in overseas bonds. Within the portfolio, the Fund permits a maximum allowance to non-sterling currencies of 5%. The Fund's bond manager (BMO) therefore makes use of forward currency contracts to hedge non-sterling exposure, but is not permitted to create currency positions through derivatives alone.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. A breakdown of forward contracts held by the Fund as at 31 March 2021 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
One to six months	GBP	6,505	EUR	(7,604)	25
	GBP	3,633	USD	(5005)	5
	GBP	19	AUD	(34)	0
	GBP	6,506	EUR	(7,604)	25
	GBP	3,632	USD	(5005)	5
Total Assets					**60**
Liabilities					
One to six months	EUR	309	GBP	(263)	(0)
	AUD	16	GBP	(9)	(0)
	AUD	25	GBP	(14)	(0)
	AUD	64	GBP	(35)	(0)
Total Liabilities					**(0)**
Net Forward Contracts 2020/21					**60**

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'000
Assets					
One to six months	GBP	14,087	EUR	(15,419)	416
	GBP	18	CAD	(30)	1
	GBP	11,021	USD	(13,358)	264
	GBP	318	USD	(380)	11
	GBP	16	CAD	(29)	0
	GBP	259	AUD	(514)	5
	GBP	21	CAD	(36)	1
	GBP	3,406	EUR	(3,833)	8
	GBP	33	CAD	(56)	2
	GBP	119	CAD	(203)	4
Total Assets					**711**
Liabilities					
One to six months	EUR	416	GBP	(388)	(19)
	AUD	104	GBP	(52)	(0)
	AUD	247	GBP	(122)	(0)
	CAD	67	GBP	(39)	(1)
	USD	305	GBP	(263)	(17)
	CAD	91	GBP	(53)	(2)
	USD	270	GBP	(232)	(15)
	CAD	79	GBP	(47)	(2)
	AUD	0	GBP	(0)	(0)
	AUD	163	GBP	(81)	(1)
	CAD	29	GBP	(17)	(1)
	CAD	4	GBP	(2)	(0)
	EUR	676	GBP	(625)	(26)
	USD	333	GBP	(269)	(1)
Total Liabilities					**(86)**
Net Forward Contracts 2019/20					**626**

Futures

The Fund's bond manager, BMO, is permitted to use bond futures for both risk management purposes and to facilitate efficient portfolio management. Specifically, the mandate permits BMO to use bond futures to make adjustments to the portfolio yield curve, with the restriction that total portfolio duration may not be negative in the following maturity buckets: 0-5yrs, 5-10yrs, 10-15yrs, 15-20yrs, 20+yrs.

The Outstanding futures contracts are as shown below. The economic exposure represents the notional asset value purchased under futures contracts and is therefore subject to market movements.

Investment Type	Expires	Economic Exposure	Market value 31-Mar-21	Economic Exposure	Market value 31-Mar-20
		£'000	£'000	£'000	£'000
Assets					
UK Bonds	Under one year	(8,293)	39	15,253	338
Overseas Bonds	Under one year	11,909	96	13,829	265
Total Assets			**135**		**603**
Liabilities					
UK Bonds	Under one year	(3,317)	(17)	4,086	(18)
Overseas Bonds	Under one year	17,603	(116)	(27,850)	(442)
Total Liabilities			**(133)**		**(460)**
Net Futures			**2**		**144**

15. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category.

Investment type	2020/2021 Designated as Fair Value through Profit & Loss	2020/2021 Financial Assets at amortised costs	2020/2021 Financial Liabilities at amortised costs	2019/2020 Designated as Fair Value through Profit & Loss	2019/2020 Financial Assets at amortised costs	2019/2020 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	184,247	0	0	169,466	0	0
Index Linked Securities	53,706	0	0	63,733	0	0
Equities	150	0	0	150	0	0
Pooled Investments	1,437,864	0	0	1,082,186	0	0
Pooled Property funds	155,736	0	0	153,689	0	0
Derivative Contracts	195	0	0	1,315	0	0
Cash	0	22,028	0	0	16,179	0
Other Investment Balances	4,994	0	0	11,139	0	0
Debtors	0	8,377	0	0	9,569	0
	1,836,892	30,405	0	1,481,678	25,748	0

Financial Liabilities						
Derivative Contracts	(133)	0	0	(545)	0	0
Other Investment Balances	(15)	0	0	(7,851)	0	0
Creditors	0	0	(3,173)	0	0	(5,682)
	(148)	0	(3,173)	(8,396)	0	(5,682)
Total	**1,836,744**	**30,405**	**(3,173)**	**1,473,282**	**25,748**	**(5,682)**
Grand Total		**1,863,976**			**1,493,348**	

b. Net gains and losses on financial instruments

The majority of the financial assets and liabilities are classed at fair value. The following table summarises the net gains and losses as profit or losses associated with, the disposal of and changes in, the market value of investments and recognised within the Pension Fund account as 'Returns on Investments'.

	31 March 2021	31 March 2020
	£'000	£'000
Fair Value through Profit and Loss	343,424	(101,465)
Financial Assets measured at amortised cost	68	176
Financial Liabilities measured at amortised cost	-	-
Total	**343,492**	**101,289**

The increase in market value of £343,492k is £7,971k less than the change in market value on the Fund Account of £351,463k, as the above movement includes indirect manager fees.

c. Fair Value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company, however in most instances the carrying value will equate to the fair value.

	31 March 2021		31 March 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,836,892	1,836,892	1,481,678	1,481,678
Financial Assets measured at amortised cost	30,405	30,405	25,748	25,748
Total Financial Assets	**1,867,297**	**1,867,297**	**1,507,426**	**1,507,426**

Financial Liabilities				
Fair Value through Profit and Loss	(148)	(148)	(8,396)	(8,396)
Financial Liabilities measured at amortised cost	(3,173)	(3,173)	(5,682)	(5,682)
Total Financial Liabilities	**(3,321)**	**(3,321)**	**(14,078)**	**(14,078)**
Grand Total		**1,863,976**		**1,493,348**

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation of Financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market investments are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted debt investments (such as private debt) and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. The exception is the £150k of Regulatory Capital to the London Collective Investment Vehicle (LCIV), required from each member of the pool which has been carried at cost (shown in Note 16). There has been no change in the valuation techniques used during the year.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Futures (Derivatives)	Level 1	Published exchange price at the year-end	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed Interest Securities	Level 2	Market Value based on current yields		Not required
Index Linked Securities	Level 2	Market Value based on current yields		Not required
Pooled investments – Equity funds (unit-linked insurance policies and ACS funds)	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Ultra short bonds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Diversified growth funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Forward Foreign Exchange (Derivatives)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – Property funds	Level 3	Closing single price at end of the accounting period. Threadneedle have provided additional disclosures around the valuations for these funds given the impact on the Coronavirus pandemic on property markets	NAV per share – valuation of the underlying property assets is based on CBRE methodology	Difficulties in applying standard valuation methodology (CBRE) as a result of the Coronavirus pandemic and resulting lack of property transactions
Pooled investments – Private debt	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets	Material events between the date of the financial statements provided and the pension fund's own reporting date; differences between audited and unaudited accounts

Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000
Financial Assets			
Fair Value through Profit and Loss	5,129	1,574,614	257,149
Financial Assets measured at amortised cost	30,405	-	-
Total Financial Assets	**35,534**	**1,574,614**	**257,149**
Financial Liabilities			
Fair Value through Profit and Loss	(148)	-	-
Financial Liabilities measured at amortised cost	-	(3,173)	-
Total Financial Liabilities	**(148)**	**(3,173)**	**-**
Net Financial Assets	**35,386**	**1,571,441**	**257,149**

Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	184,247	-	184,247
Index Linked Securities	-	53,706	-	53,706
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,336,601	101,263	1,437,864
Pooled Property Funds	-	-	155,736	155,736
Derivative Contracts	135	60	-	195
Other Investment Balances	4,994	-	-	4,994
Total Financial Assets at FVTPL	**5,129**	**1,574,614**	**257,149**	**1,836,892**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(133)	-	-	(133)
Other Investment Balances	(15)	-	-	(15)
Total Financial Liabilities at FVTPL	**(148)**	**-**	**-**	**(148)**
Net Financial Assets at FVTPL	**4,981**	**1,574,614**	**257,149**	**1,836,744**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	11,743	1,263,603	206,332
Financial Assets measured at amortised cost	25,747	0	0
Total Financial Assets	**37,490**	**1,263,603**	**206,332**
Financial Liabilities			
Fair Value through Profit and Loss	(8,310)	(86)	0
Financial Liabilities measured at amortised cost	0	(5,682)	0
Total Financial Liabilities	**(8,310)**	**(5,768)**	**0**
Net Financial Assets	**29,180**	**1,257,835**	**206,332**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2020	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	169,388	78	169,466
Index Linked Securities	-	63,733	-	63,733
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,029,771	52,415	1,082,186
Pooled Property Funds	-	-	153,689	153,689
Derivative Contracts	603	711	-	1,314
Other Investment Balances	11,140	-	-	11,140
Total Financial Assets at FVTPL	**11,743**	**1,263,603**	**206,332**	**1,481,678**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(459)	(86)	-	(545)
Other Investment Balances	(7,851)	-	-	(7,851)
Total Financial Liabilities at FVTPL	**(8,310)**	**(86)**	**-**	**(8,396)**
Net Financial Assets at FVTPL	**3,433**	**1,263,517**	**206,332**	**1,473,282**

2020/21	Opening Balance	Transfers info Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	52,415	-	-	52,411		(3,563)		101,263
Pooled Investments - Property Funds	153,689	-	-	-	-	2,047	-	155,736
Fixed Interest - O/S Private Sector	78	-	-	-	(78)	-	-	-
Total	**206,332**	**-**	**-**	**52,411**	**(78)**	**(1,516)**	**-**	**257,149**

2019/20	Opening Balance	Transfers info Lvl 3	Transfers Out of Lvl 3	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity - LCIV	150	-	-	-	-	-	-	150
Pooled Investments - Private Debt	8,376	-	-	42,367	-	1,672	-	52,415
Pooled Investments - Property Funds	-	162,676	-	-	-	(8,987)	-	153,689
Fixed Interest - O/S Private Sector	109	-	-	-	(34)	3	-	78
Total	**8,635**	**162,676**	**-**	**42,367**	**(34)**	**(7,312)**	**-**	**206,332**

During 2019/20 the Fund reclassified its investments in pooled property funds from Level 2 to Level 3. The Coronavirus pandemic resulted in a significant reduction in the number of UK commercial property transactions, which has had an impact on the standard CBRE valuation approach used by the fund manager, Threadneedle. The Fund made the decision to reclassify these assets to Level 3.

The following assets have been carried at cost:

Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd (asset pool)			150
Investments held at cost	**0**	**0**	**150**

Unquoted equities in the London CIV asset pool are valued at cost, i.e. transaction price. The inputs available to the Fund to calculate fair value are limited, and the fund considers that the original transaction price represents an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2021 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13.

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020

2020/21	Potential Variation in Fair Value £'000	Value at 31 March 2021 £'000	Potential Value on Increase £'000	Potential Value on Decrease £'000
Equity	+/- 16.7%	150	175	125
Private Debt	+/- 4.6%	101,263	105,921	96,605
Property	+/- 14.2%	155,736	177,851	133,621
Total		**257,149**	**283,947**	**230,351**

2019/20	Potential Variation in Fair Value £'000	Value at 31 March 2020 £'000	Potential Value on Increase £'000	Potential Value on Decrease £'000
Equity	+/- 27.5%	150	191	109
Private Debt	+/- 7.2%	52,415	56,189	48,641
Property	+/- 14.2%	153,689	175,513	131,865
Corporate Bond	+/- 11.6%	78	87	69
Total		**206,332**	**231,980**	**180,684**

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will be insufficient to meet its liabilities, in other words, the promised benefits payable to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Investment Strategy Statement (ISS) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pensions Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Policies and the Risk Register are reviewed by Pensions Committee and also by Officers on a frequent basis.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 13.

The Fund manages exposure to market risk in the following main areas:

- Regularly reviewing the pension fund investment strategy.
- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

Other Price Risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Price risk is managed by constructing a diversified portfolio of investments traded in various markets. The Pensions Committee regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class. The breakdown between managers and asset class can be seen in Note 13.

Other Price Risk – Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the funds' asset allocations.

Asset class	1 year expected volatility (%)	% of Fund
UK Equities	16.7	8.4
Global Equities (ex UK)	17.4	44.2
Emerging Market Equities	22.1	5.3
Property	14.2	8.5
Corporate Bonds (short term)	3.2	4.7
Corporate Bonds (medium term)	8.0	2.1
Corporate Bonds (long term)	9.9	1.2
UK Fixed Gilts (short term)	2.2	0.5
UK Fixed Gilts (medium term)	7.3	1.9
UK Fixed Gilts (long term)	9.9	2.1
UK Index Linked Gilts (medium term)	7.5	0.3
UK Index Linked Gilts (long term)	9.5	2.6
Cash	0.3	4.1
Diversified Growth Fund	11.9	9.4
Senior Loans	4.6	4.7
Total fund volatility	**10.3**	**100**

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using the Economic Scenario Service, a proprietary stochastic asset model maintained by Hymans Robertson LLP. The model uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. The overall fund volatility has been calculated based on the asset valuations provided by the Fund's custodian, HSBC, and market values (bid) provided by the Administering Authority, as at 31 March 2021. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities.

31 March 2021		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,844,250	10.3	2,034,208	1,654,292
	1,844,250	**10.3**	**2,034,208**	**1,654,292**

31 March 2020		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,480,119	14.8	1,699,177	1,261,061
	1,480,199	**14.8**	**1,699,177**	**1,261,061**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements. Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's Treasury Management Strategy as agreed by the Pensions Committee.

The Fund's direct exposure to interest rate movement as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Balance at 31 March 2021	Balance at 31 March 2020
	£'000	£'000
Cash Deposits	10,606	12,328
Cash Balances	14,522	9,343
Fixed Interest Securities	291,051	264,560
Total	**316,179**	**286,231**

Interest Rate Risk – Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effects in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:-

Asset Type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	10,606	106	(106)
Cash Balances	14,522	145	(145)
Fixed Interest Securities*	291,051	(31,201)	31,201
Total	**316,179**	**(30,950)**	**30,950**

Asset Type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	12,328	123	(123)
Cash Balances	9,343	93	(93)
Fixed Interest Securities*	264,560	(28,176)	28,176
Total	**286,231**	**(27,960)**	**27,960**

* Note that an increase in the interest rates results in a decrease in the value of the bond portfolio and vice versa. Unlike for cash and its equivalents the change is due both to the impact of the duration (on average between 10-11 years) period of the bonds and the inverse relationship between bond prices and interest rates.

Currency Risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (GBP). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund's assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling (further details are in Note 14).

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2021 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2021	Asset Value as at 31 March 2020
	£'000	£'000
Equities	0	0
Fixed Interest Securities	20,560	19,023
Indexed Linked Securities	0	8,563
Pooled Investment Vehicle	54,041	38,248
Cash and Deposits	573	6
Total	**75,174**	**65,839**

Currency Rate Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment consultant, the estimated volatility for individual currency was assessed and used for the following sensitivity analysis.

31 March 2021		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	75,174	9.8	82,541	67,807
Total change in assets			**7,367**	**(7,367)**

31 March 2020		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	65,839	10	72,423	59,255
Total change in assets			**6,584**	**(6,584)**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Fund's custodian, HSBC Global Services. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with Lloyds Bank.

The Pensions Committee and senior officers monitor this risk by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

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. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

The Fund's holdings under the arrangements described above were held with the following:

Summary	Rating (Fitch)	Balance at 31 March 2021	Balance at 31 March 2020
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	14,522	9,343
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	3,100	5,500
Cash held by fund managers and custodian			
Cash	AA-	7,506	6,828
Call Accounts (Various)	AA- to A	-	-
Total		**25,128**	**21,671**

c) Liquidity Risk

Liquidity risk corresponds to the pension fund's ability to meet its financial obligations when they come due with sufficient and readily available cash resources.

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund's key exposure to illiquid assets is via its private debt mandate, currently valued at £101,263K. Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst the Fund itself offers daily liquidity, the illiquid nature of the underlying assets exposes the Fund to a degree of liquidity risk

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the pensions team.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pensions Committee in collaboration with the Fund's actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

18. FUNDING ARRANGEMENTS

The actuarial valuation of the Pension Fund is carried out every three years, in line with the Local Government Pension Scheme Regulations 2013. The purpose is to set employer contribution rates for the forthcoming triennial period. This is carried out by an independent actuary appointed by the Fund and the last valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The contribution rates are set at a level sufficient to meet the cost of future benefits accruing and to eliminate, over a period of time, the deficit arising from past service. The valuation is carried out in accordance with the Fund's Funding Strategy Statement (FSS) a copy of which can be found on the Pension Fund website https://hackneypension.co.uk/ and a copy is also included in the Pension Fund Annual Report and Accounts (pages R&A TBC).

The objectives of the Fund's funding policy include the following:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers.
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment.
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.
- 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 ceasing participation or defaulting on its pension obligations.
- To address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.
- To maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The 2019 valuation was based on a market value of the Fund's assets as at 31 March 2019, which amounted to £1,575 million and revealed a pension deficit of £131 million, representing a funding level of 92% of the pension liability.

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The whole fund primary contribution rates applying from 1 April 2020 until 31 March 2022 and based on the 2019 valuation report are as follows:

Year	Employer Contribution rate
2020/21	18.7%
2021/22	18.7%
2022/23	18.7%

The rates payable by the London Borough of Hackney and other participating scheduled and admission bodies vary from the contribution rate for the Fund as a whole according to the employer's individual circumstances.

The Fund's actuary, Hymans Robertson, has calculated the contribution rate using the Projected Unit Method. This assesses the cost of benefits (as a percentage of pay) accruing to existing members during the year following the valuation, allowing for future salary increases.

The minimum required contributions (both primary and secondary) payable by each employer are set out in the Rates and Adjustments Certificate. Each employer must pay the percentage rate or monetary amount specified in the certificate, whilst the frequency of payment is prescribed by the Local Government Pension Scheme Regulations 2013.

The principal 2019 valuation report assumptions which informed the contributions payable from 1 April 2020 were:

Financial Assumptions based on 2019 Valuation Report

Assumption	Rate	Explanation
Investment return (discount rate)	3.85%	Based on 25-Year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	2.3% − CPI	
Salary increases*	2.6%	0.3% pa over CPI
Pension increases	In line with CPI	Assumed to be 0.9% less than RPI

*plus an allowance for promotional pay increases.

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumptions at age 65	Male	Female
Current pensioners	21.2	23.4
Future pensioners (assumed current age 45)	22.4	25.1

Commutation Assumption

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

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes an accounting valuation of the Fund's liabilities on an IAS 19 basis every year. This uses membership data from the funding valuation with economic assumptions adjusted for the current financial year. This valuation is used for statutory accounting purposes and uses different assumptions from the triennial funding valuation, (see Note 18), which is used to determine the contribution rates payable by employers.

The actuarial present value of promised retirement benefits at the accounting date 31st March 2021, calculated in line with IAS 19 assumptions, is estimated to be £2,742 million (£2,123 million in 2019/20). This incorporates an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 2019/20 and has continued to be allowed for within the liabilities in 2020/21.

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The financial assumptions used for the IAS19 2021 valuation have been revised from the 2019 valuation report as set out in the table below:

Assumption	2021	2020
Pension increase rate assumption	2.75%	1.9%
Salary increase rate	3.05%	2.2%
Discount rate	1.95%	2.3%

20. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

	31 March 2021 £'000	31 March 2020 £'000
Short-Term Debtors:		
Contributions due	6,272	6,225
Sundry debtors	1,792	3,206
Cash Balances	14,522	9,343
VAT	155	112
Total	**22,741**	**18,886**

20.A. LONG TERM DEBTORS

The lifetime allowance (LTA) is the overall limit on tax free pension funds a member can accrue during their lifetime. Where a member exceeds the LTA a tax charge is incurred.

The annual allowance (AA) is the overall limit on tax free pension funds a member can accrue during the year. Where a member exceeds the AA a tax charge is incurred.

Members can elect to pay the charge themselves or have the fund pay on their behalf to be recovered through increased contributions or reduced benefits. The following figure represents the total amount paid over to HMRC for those members who have exceeded the life-time or annual-allowance pension tax free allowance.

	31 March 2021 £'000	31 March 2020 £'000
Long-Term Debtors:		
Reimbursement of LTA / AA	158	25
Total	**158**	**25**

21. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors	31 March 2021 £'000	31 March 2020 £'000
Short-Term Creditors:		
Benefits Payable	(1,031)	(1,013)
Sundry Creditors	(2,142)	(4,669)
Total	**(3,173)**	**(5,682)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund provides an AVC scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The scheme provider is Prudential, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions.

The total value of sums invested in the AVC funds as at 31 March 2021 was £5.037 million (£5.338 million as at 31 March 2020). Contributions received into the AVC facility during the year amounted to £0.203 million (£0.287 million in 2019/20). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

23. RELATED PARTY TRANSACTIONS

London Borough of Hackney

The Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £59.34 million to the Fund in 2020/21 (2019/20: £59.51 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.36 million in 2020/21 (£0.38 million in 2019/20) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury Management Strategy.

London Collective Investment Vehicle

The London CIV is a collective investment vehicle established by London Councils on behalf of the London Boroughs and the City of London Corporation. It consists of an ACS (Authorised Contractual Scheme) Operator, which is a limited company wholly owned by the 32 participating authorities, and the ACS fund itself. The Council is therefore a shareholder in the operating company. During 2015/16, the Pension Fund made an investment of £150k in the CIV to provide it with sufficient regulatory capital.

The Fund incurred costs of £110k in 2020/21 (£90k in 2019/20) in relation to charges from the London CIV Ltd (the operating company).
The Fund incurred costs of £32k in 2020/21 (£30k in 2019/20) in relation to the custody of investments held within the London CIV regional asset pool.

Governance

The following Pensions Committee Members were deferred members of the Local Government Pension Scheme (LGPS) during the year; Cllr Michael Desmond (Vice-Chair).

The following Pensions Committee Members were pensioner members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair)

Jonathan Malins-Smith, Scheme Member Representative, is also a deferred member of the Pension Scheme

24. KEY MANAGEMENT PERSONNEL

Several employees of the London Borough of Hackney hold key positions in the financial management of the Fund. As at 31 March 2021 these employees included:

Group Director of Finance and Corporate Resources, Director of Financial Management, Head of Pensions, Pensions Manager and Group Accountant

All of these employees were also members of the pension scheme. The financial value of their relationship with the Fund (in accordance with IAS 24) is set out below:

	31 March 2021	31 March 2020
	£'000	£'000
Short term benefits	192	188
Long term/post-retirement benefits	36	29
Total	**228**	**217**

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hackney.

25. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2021 were £327.153m (31 March 2020: £119.241m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt parts of the portfolio and pooled renewables infrastructure fund. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of each original commitment.

Outstanding Capital Commitment	31 March 2021	31 March 2020
	£'000	£'000
Pooled Private Debt Funds	237,153	119,241
Pooled Renewables Infrastructure Fund	90,000	0
Total	**327,153**	**119,241**

A contingent liability of £97k was a possible obligation as at 31 March 2021 as a result of cessation surplus from an actuarial valuation of an employer that ceased from the Fund. Under Regulation 64(2ZAB) of the Local Government Pension Scheme Regulations 2013 , the Administering Authority must make a determination as to the level of any exit credit, which may be zero, to be paid to the Employer.

26. IMPAIRMENT LOSSES

During 2020/21 there were £0k impairment losses to recognise (2019/20: £2k) for non-recovery of pension overpayments. Investment-related losses related to the Covid-19 pandemic are accounted for through the change in market value of investment

Investment Strategy Statement

1 Introduction

The London Borough of Hackney is the Administering Authority for the London Borough of Hackney Pension Fund. The Pensions Committee ("the Committee") is the body with delegated powers to administer the Fund. The Committee, comprised of elected representatives of Hackney Council and a non-voting scheme member representative, recognise that they have fiduciary duties and responsibilities towards beneficiaries, employers and local taxpayers that are analogous to those holding the office of Trustee in the private sector. The Committee takes expert professional financial advice to assist it with managing the Fund.

The Investment Strategy Statement (ISS) has been prepared by the Committee having taken advice from the Fund's investment adviser, Hymans Robertson LLP.

The ISS, which was approved by the Committee on 24th June 2020 is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (in force from 1st April 2017).

2 Background to the Fund

2.1 The Legal Requirements

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

The Statement must include:

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

2.2 The Scheme

The Pension Scheme for the London Borough of Hackney is a Career Average Revalued Earnings (CARE) defined benefit scheme. Benefits are determined by a range of statutory provisions. The main regulations governing the operation of the scheme are the Local Government Pension Scheme Regulations 2013.

The Local Government Pension Scheme (LGPS) Regulations 2013 set out in clear terms the benefits that are payable to Scheme members. The benefits offered to those members are therefore guaranteed by law; members are not reliant on investment performance for their pensions in retirement The contributions payable by Scheme members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Scheme to meet the cost of funding employee benefits and are required to meet any shortfall in funding the pension liabilities of Scheme members. If, therefore, the Pension Fund's investments do not perform as well as expected, any shortfall must be met from Council Tax, other public funds and by other employers participating in the Fund, and not by reducing the amount of pension benefits paid or by increasing employees' contributions.

Pension benefits for individuals are increased each year in line with movements in the Consumer Prices Index (CPI).

3 The suitability of particular investments and types of investments

3.1 Fund Objectives

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefit basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The Fund has used asset liability modelling (ALM) carried out by Hymans Robertson to help set an investment strategy.

The ALM approach projects forward the potential future development of asset and liability values, using stochastic modelling to model over 5000 different scenarios. This gives a distribution of outcomes which is then used to assess the probability of meeting the funding objective over a given time horizon for a number of different investment strategies. The tail risks of each strategy are assessed by considering the worst 5% of funding outcomes associated with each.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation

4 Investment of money in a wide variety of investments

4.1 Asset Classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's investment strategy as reflected in its holdings at 1st April 2020 is set out below in table 4.2.1. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Fund's target investment strategy is set out in table 4.2.2. The Fund intends to implement its target strategy gradually and aims to do so in collaboration with the London CIV.

The Fund has not previously invested in infrastructure, as the Fund to date has not had sufficient scale to make it accessible at a reasonable cost. However, the Committee recognises that asset pooling could provide opportunities to invest in more specialised asset classes and consider that infrastructure, under these circumstances, could offer a suitable risk/return profile for the Fund. Given this potential suitability, the Committee has approved an allocation of up to 5% for infrastructure, which may include local investment, including local investment should suitable opportunities arise through the pooling process.

The Fund has decided to invest 10% of the assets in a private lending mandate, to be funded by a reduction in the equity holding. The implementation of the new mandate is ongoing and will take a number of months, and so as an interim measure half of the allocation is being held in short dated bonds, and half in global equities, to broadly replicate the risk profile of the target asset allocation. Table 4.2.1 below reflects the starting position prior to investment in the private debt mandate, whilst Table 4.2.2. reflects the target position once fully invested.

4.2 . Fund Allocation

4.2.1 Starting Fund Allocation

Asset Class	Target Allocation %	Control Range %
UK Equities	10%	8% - 12%
Global Equities	41%	38% - 44%
Global Emerging Market Equities	4.5%	3.5% - 5.5%
Total Equities	**55.5%**	**50.5% - 60.5%**
Property	10%	9% - 11%
Multi-Asset	12.5%	10% - 15%
Bonds	22%	20% - 24%
Total	100%	

4.2.2 Target Fund Allocation

Asset Class	Target Allocation %
UK Equities	10%
Global Equities	36%
Global Emerging Market Equities	4.5%
Total Equities	**50.5%**
Property	10%
Multi-Asset	12.5%
Bonds	17%
Private lending	10%
Total	**100%**

4.3 Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices

5 Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

5.1 Investment Restrictions

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

6 The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

6.1 *Funding Risks*

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Inflation risk. The risk that price and pay inflation is significantly more than anticipated, increasing the value of pension benefits accrued by active and deferred members of the Fund as well as increasing the value of pensions in payment.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be formally revisited as part of the 2019 valuation process, but may be repeated prior to that date if required.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

A detailed schedule of the funding risks to which the Fund is exposed is set out in the Funding Strategy Statement.

6.2 *Asset Risks*

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

Illiquidity risk is managed by investing across a range of assets, including liquid quoted equities and bonds, as well as property. The majority of the Fund's assets are realisable at short notice. Whilst the Fund does have a small allocation to less liquid assets, the degree of liquidity risk within the portfolio is acceptable given the Fund's long term investment horizon.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. The Fund currently maintains a 50% hedge to USD, EUR and JPY exposures within its active global equity mandates. This has been reviewed as part of the recent strategy review but no change is currently planned.

Details of the Fund's approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

6.3 Other Provider Risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets. The Fund does not currently engage in stock-lending but may consider doing so in the future.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations they conduct for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

7 The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow. The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to Government.

7.1 Assets to be invested in the Pool

The Fund is transitioning liquid assets into the London CIV as suitable investment strategies that meet the asset allocation and investment strategy become available on the London CIV platform. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government; the Fund made its first investments of liquid assets in June 2018. The key criteria for assessment of Pool solutions is as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has 13.4% (£198.5m) of assets invested through mandates directly facilitated by the Pool.

The Fund currently holds 34.88% (£516.2m) of its assets in BlackRock pooled equity funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of passively managed assets outside pools for the time being. The Fund agrees for the London CIV to monitor the BlackRock funds as part of the broader Pool.

At the time of writing, the Fund holds 5.3% (£78.3m) of the Fund in illiquid assets and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the Pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

At the time of preparing this statement the Fund holds the following assets outside of the London CIV:

Asset Class	Manager	% of Fund assets	Benchmark and performance objectives	Reason for not investing via the XYZ Pool
Property	Threadneedle – Low Carbon Workplace Fund	1.53% (£19.5m)	IPD Quarterly index total return – office sector. Targets outperformance of the benchmark by 1% over rolling 3 year periods.	Units do not become redeemable until 5 years from the date of issue. Investment is via a Jersey unit trust – whilst it could be held within an ACS structure, the transfer of the property assets would incur significant stamp duty. The Fund has invested in the LCW fund in 2 tranches (May 2016 and October 2016).
Property	Threadneedle - TPEN	8.41% (£106.8m)	IPD Quarterly index total return Targets outperformance of the benchmark by 1% over rolling 3 year periods.	Investment is via a unit linked life vehicle which cannot be transferred to the ACS structure. No suitable alternative currently exists through the London CIV, and the Fund wishes to maintain its strategic allocation to property.
Fixed Income	BMO	17.6% (£224.0m)	Outperform a customised benchmark (37.5 FTA Govt All Stocks; 37.5% ML £ Non-Gilt All Stocks Index;	Fund wished to retain its strategic allocation and no suitable alternative existed on CIV at initial review – to be reviewed at next review.
			25% FTA Govt IL >5yrs) by 1% over a rolling 3yr period	

Private Debt	Permira	0.96% (£14.2m)	Target net return 6% - 8	Illiquid assets– assets held via a Lux Special Partnership and early exit would have a negative financial impact
Private Debt	Churchill	2.58% (£38.2m)	US Credit Suisse Leveraged Loan Index. Target net return 5.5% - 7%	Illiquid assets– assets held via a Lux Special Partnership and early exit would have a negative financial impact
Multi asset	Invesco	4.55% (£67.3m)	Targets LIBOR 3m + 5%	To be reviewed at next review
Multi asset	GMO	5.87% (£86.9m)	Targets OECD CPI G7 (GBP) + 5%	To be reviewed at next review
Bonds	BlackRock	5.3% (£78.4m)	3m GBP LIBID	Short term allocation to fund other mandates

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2019.

7.2 Structure and governance of the London CIV

The July 2016 submission to Government of the London CIV provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured.

Since July 2016, the London CIV has made changes to its governance structure, which now operates as follows:

London LGPS CIV Limited (“London CIV”) is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). FCA firm registered as London LGPS CIV Ltd, Reference Number 710618.

Approval for the structure has been signed off by the 32 participating London Authorities. The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors.

This is achieved through:

- the Shareholder Committee, which acts on behalf of the Shareholders as a consultative body, including on the Company's business plans and financial performance, and topics such as Responsible Investment. It comprises 12 Committee Members made up of 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities) and 4 Local Authority Treasurers. The Chair of the Board of London CIV is also a member of the Committee. A trade union representative sits as an observer.

- The client services framework, which is informed by shareholder consultation and includes a programme of events for clients collectively.

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

8 How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In summer 2016, Trucost were commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Having taken into account the risks associated with exposure to fossil fuel reserves, the Committee has approved a target to:

- Reduce the Fund's relative exposure to future emissions from fossil fuel reserves (measured in $MtCO_2e$ – million tonnes of CO_2 emissions) by 50% over 2 valuation cycles (6 years)
- Measure the reduction relative to the Fund's position as at July 2016 (7.11$MtCO_2e$) and adjusted for Assets Under Management (£AUM)

The target will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to nonfinancial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.

The Fund does not at the time of preparing this statement hold any assets which it deems to be social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.

9 The exercise of rights (including voting rights) attaching to investments

The Fund is committed to being a long-term steward of the assets in which it invests and aims to promote the highest standards of governance and corporate responsibility in the companies in which it invests. It expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition, the Pensions Committee undertakes training on a regular basis, including training and information sessions on matters of social, environmental and corporate governance.

The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest. It recognises that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

It therefore expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed. Effective monitoring and identification of ESG issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, leading to greater influence and improved outcomes for shareholders and more broadly, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests. Additionally, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), through which it joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners.

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis. A copy of the Fund's statement of compliance with the Stewardship code can be found on the Fund's website. At the FRC's most recent review, both the Fund and the London CIV were rated as Tier 1.

As part of its compliance with the Stewardship Code the Fund has adopted a set of Voting Intention Guidelines. The Fund has delegated responsibility for voting rights to the Fund's external investment managers and expects them to vote in accordance with these guidelines, which can be found on the Fund's website.

Future investments through the London CIV will be covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting for investments on the CIV will therefore be delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website.

London Borough of Hackney Pension Fund
Funding Strategy Statement

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Hackney Pension Fund ("the LBH Fund"), which is administered by Hackney Council ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from [DATE POST CONSULTATION].

1.2 What is the LBH Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the LBH Fund, in effect the LGPS for the Hackney area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- 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 minimise the long-term cash contributions which employers need to pay to the Fund, by recognising 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; and
- 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.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Finance and Corporate Resources in the first instance at pensions@hackney.gov.uk.

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1 Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2 Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3 Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 *What is each employer's contribution rate?*

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 *What different types of employer participate in the Fund?*

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodie**s ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.)

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 *How is a deficit (or surplus) calculated?*

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 *How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?*

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;

- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;

- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;

- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 *What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?*

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

The fund will reassess the employer contribution rates at the next formal valuation of the Fund. If the outcome of the McCloud case is then known, a more accurate allowance for the impact will be made at that time.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 *What approach has the Fund taken to dealing with uncertainty arising from the Goodwin court case and its potential impact on the LGPS benefit structure?*

The Goodwin tribunal was raised in the Teachers' scheme. It claimed members, or their survivors, were discriminated against due to their sexual orientation. The claim was because the Teachers' scheme provides a survivor's pension which is less favourable for a widower or surviving male partner, than for a widow or surviving female partner of a female scheme member. On 30 June 2020, the Tribunal found in favour of the claimant and agreed there was discrimination. This finding and remedy is expected to apply across all public service pension schemes, including the LGPS, however this is not certain and the details are not yet known.

The impact, if any, of the Goodwin case on Fund liabilities is expected to be small and will largely be an administrative issue. In the absence of a resolution or any guidance to this case, no allowance has been made for this within the 2019 formal valuation.

2.9 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authorities**	**Academies**	**Colleges**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	10 years	15 years	15 years or average future working lifetime if less	Same time horizon as letting authority
Secondary rate – Note (d)	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll or monetary amount	Monetary amount	% of payroll or monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority				Reduce contributions by spreading the surplus over the remaining contract term – where deemed appropriate by the Admin. Authority
Likelihood of achieving target – Note (e)	[70%]	[70%]	[70%]	[78%]	[78%]	[73%]
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	3 years	3 years	3 years	3 years
Review of rates – Note (f)		Review of rates will be carried out in line with the Regulations and as set out in **Note (f)**				Particularly reviewed in last 3 years of contract
New employer	n/a	Note (g)	n/a	Note (h)		Notes (h) & (i)

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authorities**	**Academies**	**Colleges**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the gilts exit basis would apply. Letting employer will be liable for future deficits and contributions arising. See note (j) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding

The Administering Authority may set a higher funding target (e.g. based on the return from long term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a predetermined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short-term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

The contribution rate for London Borough of Hackney Council will reduce by 1.0% per annum for the 3 years commencing 1 April 2020. Thereafter, maximum contribution rate increases or decreases per year will be as follows:

Type of employer	London Borough of Hackney Council
Max contribution increase per year	1.0%
Max contribution decrease per year	1.0%

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Under the Regulations the Fund may amend contribution rates between valuations for "significant change" to the liabilities or covenant of an employer: this may result in a material increase or decrease in contributions, depending on the circumstances (see Appendix G).

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (see Appendix G).

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policy (iv) above will be reconsidered at each valuation.

Note that other than in exceptional circumstances, an Academy that is less than 100% funded at the formal valuation would not usually be allowed a decrease to their contribution rate.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations and this FSS.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and Transferee Admission Bodies may operate any of the above options by entering into a separate Side Agreement. The Administering Authority would not necessarily be a party to this side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation or alternatively agreed by all parties.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.
- On termination of a deferred debt agreement.

On cessation, in the absence of a deferred debt arrangement, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Payment of cessation debt

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in a single lump sum within 30 days of the employer being notified.

However, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period, however, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.

The length of any spreading period will depend on the employer's financial circumstances and on the strength of any security provided, and ordinarily would not exceed five years. The Fund will confirm the spreading period, annual repayments including any interest, and any other costs (e.g. actuarial or legal) payable by the employer prior to the repayments starting.

The Fund will monitor the employer's circumstances regularly during the spreading period and may request updated financial information that could trigger a review of the arrangement and repayments. The Fund will endeavour to accommodate any such spreading arrangement or review within three months of receipt of the relevant evidence from the employer.

Consideration of surplus / exit credit

Where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider:

i. the extent of any surplus,
ii. the proportion of surplus arising as a result of the employer's contributions,
iii. any representations (such as risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee (or some other form of employer assistance/support) and
iv. any other factors the Administering Authority deem relevant.

The below sets out the general guidelines that the Fund will consider when determining the amount of an exit credit payable to an exiting employer in line with Regulation 64, depending on employer's participation conditions. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if the below guidelines were rigorously adhered to. In all cases, the Fund will not be bound by the guidelines, and will make its decision on a discretionary basis.

Consideration of surplus / exit credit - Admission bodies

a) It is expected that no exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018. Prior to this date, the payment of an exit credit was not permitted under the Regulations and therefore contracts were entered into with no expectation that an exit credit would be paid, and therefore priced accordingly. In this circumstance, no exit credit will be payable.

If the contract terms were revised following the introduction of exit credits and a new price agreed on the understanding that exit credits were now permitted, an exit credit may be payable. This must be made clear in the representations to the Fund.

b) No exit credit will be payable to any admission body who participates in the Fund via the "fixed contribution rate" (or pass through), approach, as set out under "Note (i) (New Transferee Admission Bodies)".

c) There are a number of other types of possible risk sharing arrangements which are or could be in operation within the Fund (for example, a "Pooling" arrangement as set out under "Note (i) (New Transferee Admission Bodies)". In these circumstances, the Fund will make an exit credit payment in line with the admission terms which detail the ownership of exit credits/cessation surpluses.

d) The Fund will make an exit credit payment in line with any contractual or risk sharing agreement which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for each funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority and within one month of the admission body ceasing participation in the Fund.

e) If there is any dispute from either party with regards to interpretation of contractual or risk sharing agreements as outlined above, the Fund will withhold payment of the exit credit until such disputes are resolved.

f) The Fund will also consider any representations made by the letting authority regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.

g) Where a guarantor arrangement (or some other form of employer assistance/support) is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

h) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the difference between employer contributions paid and the size of any cessation surplus.

i) The decision of the Fund is final in the interpreting how any arrangement described above applies to the value of an exit credit payment.

j) If an admitted body leaves on a gilts exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

Consideration of surplus / exit credit - Scheduled bodies and resolution bodies

a) If a scheme employer or resolution body becomes an exiting employer due to a reorganisation, merger, transfer or take-over, then no exit credit will normally be paid.

b) If a scheme employer or resolution body exits on a gilts exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

Consideration of surplus / exit credit - General

a) The Fund will advise the exiting employer as well as any letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

b) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

c) The final decision will be made by the Director of Financial Management,in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary.

d) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach with appropriate parties, and its decision in these instances is final.

e) The Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a 1% loading to the ceasing employer's post 2014 benefit accrual value where the cessation valuation is being carried out on the gilts exit basis. For cessation valuations carried out using the ongoing participation basis no loading will be applied.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or suplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

Deferred Debt Agreement ("DDA") alternative to immediate cessation

As an alternative, where the ceasing Admission Body is continuing in business, the Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)). The Admission Body must meet all active employer requirements and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the deferred debt agreement. Further details of the circumstance upon which the Administrating authority will consider entering into a deferred debt arrangement are set out in Appendix G.

Note (k) (Phasing in of contribution changes)

All phasing is subject to the Administering Authority being satisfied as to the strength of the employer's covenant. Transferee Admission Bodies are not eligible for phasing in contribution rates but other employers may opt to phase in contribution rises or reductions.

Employers which have no active members at this valuation will not be phased.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The Administering Authority may allow smaller employers to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. The Administering Authority may specify the maximum number of active members to participate in a pool.

LEA schools generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Council).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

With the agreement of the Administering Authority the payment can be spread as follows:

Major Employing bodies	- up to 5 years
Community Admission Bodies and Designating Employers	- up to 3 years
Academies	- up to 3 years
Transferee Admission Bodies	- payable immediately.

Employers must make these additional contributions as a one off payment to the fund immediately on awarding the early retirement. The exception to this rule are statutory bodies with tax raising powers, where, depending on the circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding 5 years. If this is agreed, interest will be charged, using factors provided by the actuary. In any event the spread period cannot exceed the period to the member's normal retirement date if this is shorter than 5 years.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and

- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A - Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in [DATE] for comment;

b) Comments were requested within 30 days;

c) There was an Employers Forum in [DATE] at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at https://hackneypension.co.uk/documents-library/pension-fund-investment;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee/pensioner representatives;
- A summary issued to all Fund members;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at:
https://hackneypension.co.uk/documents-library/pension-fund-investment;

Appendix B Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	**Summary of Control Mechanisms**
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager underperformance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.

Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	Monitoring and management of exposure to fossil fuel reserves to assess level of risk alongside the inclusion of a policy statement setting out the Fund's approach to climate risk within the ISS. Active engagement with managers to understand sources of RI risk

C3 Demographic risks

Risk	**Summary of Control Mechanisms**
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.

Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	**Summary of Control Mechanisms**
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation -

	conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	**Summary of Control Mechanisms**
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.

Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1. A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
2. A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

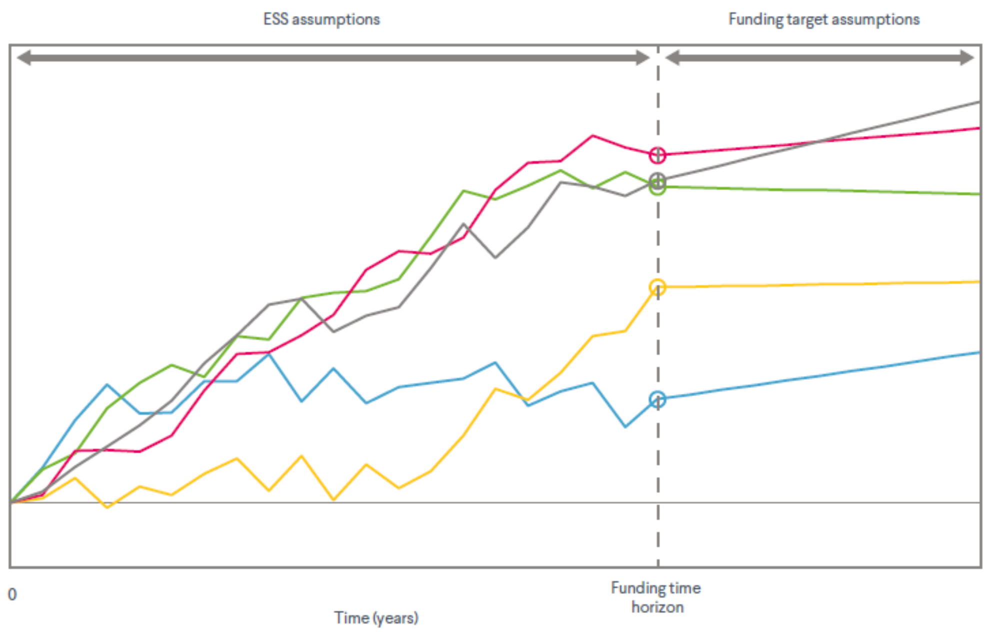
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

1. Benefit increases and CARE revaluation
2. Salary growth
3. Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.65% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What assumptions are used in the funding targetWhat other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2022, followed by
2. 0.5% below the retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of CPI plus 0.3%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 1.1% per annum. The change has led to a reduction in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.
The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more detail (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.

Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates.** See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the Primary and Secondary contribution rates, and other Statutory information for a Fund, and usually individual employers too.

Appendix G - Employer flexibilities policy statement

The below sets out the general guidelines that the London Borough of Hackney Pension Fund ("the Fund") will follow when exercising its discretion whether to:

1. Amend the contribution rate payable by an employer between formal funding valuations in line with regulation 64A of the Local Government Pension Scheme Regulations 2013 ("the Regulations");
2. Enter into a deferred debt agreement ("DDA") with an exiting employer in line with regulation 64(7) of the Regulations;
3. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if these guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

1. Contribution review

It is anticipated that contribution rates certified at the formal actuarial valuation will remain payable by employers for the period of the rates and adjustments certificate. However, under the Regulations the Fund may amend contribution rates between valuations resulting from "significant change" to the liabilities or covenant of an employer. This may result in a material increase or decrease in contributions, depending on the circumstances.

The Fund would consider the following circumstances as a potential trigger for review:

- In the opinion of the Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;

- An employer is approaching exit from the scheme within the next two years and before completion of the next valuation;

- There are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulations at that time) which have not been allowed for at the last valuation;

- It appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;

- It appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);

- It appears to the Administering Authority that the membership of the employer has changed materially from events such as bulk transfers, significant reductions to payroll or large-scale restructuring; or

- Where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values alone as a basis for reviewing contributions outside a formal valuation. However, if a review is being conducted, this may take account of market and asset changes which have occurred since the last formal valuation.

The Rates & Adjustments Certificate will be updated as necessary, following such a review.

The Administering Authority will also consider guidance in such matters from the Scheme Advisory Board as issued from time to time.

2. Deferred debt agreement (“DDA”)

In the event that an Admission Body ceases participation in the Fund and a deficit is identified, payment of this amount as a single lump sum will be sought from the Admission Body by default.

However, in line with the Regulations and in the best interests of all parties, the Administering Authority may agree to enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a DDA as described in Regulation 64 (7A)). Such an agreement would only be permitted at the Fund’s discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the Admission Body’s normal operations.

The Admission Body must continue to meet all active employer requirements and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the DDA.

The Administering Authority will consider DDAs in the following circumstances:

- The Admission Body requests the Fund consider a DDA;
- The Admission Body is expected to have a deficit if a cessation valuation was carried out;
- The Admission Body is expected to be a going concern; and
- The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- Security be put in place covering the Admission Body's deficit on their cessation basis, as varying over time;
- Regular monitoring of the contribution requirements and security requirements;
- All costs of the arrangement are met by the Admission Body, such as the cost of actuarial and legal advice to the Fund, ongoing monitoring of the arrangement, and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The Admission Body enrols new active Fund members;
- The period specified, or as varied, under the DDA elapses;
- The take-over amalgamation, insolvency, winding up or liquidation of the Admission Body, unless the Administering Authority is satisfied that this does not weaken the Employer's ability to pay contributions under the DDA;
- The Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the DDA has materially or is likely to weaken materially in the next 12 months;
- The Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
- The Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed de minimis level, if the employer becomes an exiting employer on the calculation date; or
- The Admission Body requests early termination of the DDA and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

Annex A – Rates and Adjustment Certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023 in order to maintain the solvency of the Fund..

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund Primary and Secondary Contribution rates for the period 1 April 2020 to 31 March 2023. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates,calculated in accordance with the Regulations and CIPFA guidance.

Whole Fund Contribution Rate		
Primary Rate (% of pay)	18.7%	
Secondary Rate (£)	2020/21 2021/22 2022/23	23,543,000 21,348,000 21,900,000

The required minimum contribution rates are set out below.

				Secondary Rate						Total Contribution Rate		
			Primary Rate % 1 April 2020 - 2023	2020/2021		2021/2022		2022/2023		2020/2021	2021/2022	2022/2023
Employer / Pool code	Employer/Pool name	Contributions currently in payment 2019/2020		% of pay	£	% of pay	£	% of pay	£			
	London Borough of Hackney	33.0%	18.5%	13.0%		11.5%		11.5%		31.5%	30.0%	30.0%
351	Renaisi	18.8% plus £36,000	29.6%		£118,000		£118,000		£118,000	29.6% plus £118,000	29.6% plus £118,000	29.6% plus £118,000
360	Brooke House Sixth Form College	23.4%	27.1%	2.3%		2.3%		2.3%		29.4%	29.4%	29.4%
367	Mossbourne Community Academy	16.3%	21.9%	-3.0%		-3.0%		-3.0%		18.9%	18.9%	18.9%
368	Greenwich Leisure Ltd	28.4%	21.0%	0.0%		0.0%		0.0%		21.0%	21.0%	21.0%
373	Petchey Academy	15.3%	21.8%	-0.9%		-0.9%		-0.9%		20.9%	20.9%	20.9%
374	Bridge Academy	16.3%	21.3%	-1.3%		-1.3%		-1.3%		20.0%	20.0%	20.0%
375	City Academy	15.5%	20.2%	-4.5%		-4.5%		-4.5%		15.7%	15.7%	15.7%
377	RM Education PLC	24.8%	27.6%	0.0%		0.0%		0.0%		27.6%	27.6%	27.6%
378	Servest Group Ltd	22.3%	34.5%	0.0%		0.0%		0.0%		34.5%	34.5%	34.5%
379	Skinners Academy	21.3%	21.7%	-1.9%		-1.9%		-1.9%		19.8%	19.8%	19.8%
380	Clapton Girls Academy	29.0%	21.0%	-2.7%		-2.7%		-2.7%		18.3%	18.3%	18.3%
382	Peabody Trust	0.0%	23.9%	0.0%		0.0%		0.0%		23.9%	23.9%	23.9%
383	Caterlink	26.0%	21.9%	-21.9%		-21.9%		-21.9%		0.0%	0.0%	0.0%
416	Mossbourne Victoria Park Academy	17.8%	21.3%	-2.3%		-2.3%		-2.3%		19.0%	19.0%	19.0%
422	Manor House Development Trust	20.5%	23.7%	0.0%		0.0%		0.0%		23.7%	23.7%	23.7%
423	SND Cleaning Services Ltd - Holmleigh	19.9%	25.5%	0.0%		0.0%		0.0%		25.5%	25.5%	25.5%
424	Northwold Academy	33.0%	22.5%	9.0%		7.5%		7.5%		31.5%	30.0%	30.0%
426	Birkin Cleaning (Jubilee and Gayhurst Schools)	18.9%	30.9%	-30.9%		-30.9%		-30.9%		0.0%	0.0%	0.0%
429	Mossbourne Parkside	24.5%	22.9%	-5.1%		-5.1%		-5.1%		17.8%	17.8%	17.8%
430	Mossbourne Riverside	20.2%	19.4%	-1.9%		-1.9%		-1.9%		17.5%	17.5%	17.5%
431	PJ Naylor Cleaning Services - Daubeney	28.9%	29.8%	-26.4%		-26.4%		-26.4%		3.4%	3.4%	3.4%
433	Mulalley	26.0%	24.7%	-24.7%		-24.7%		-24.7%		0.0%	0.0%	0.0%
435	Fit for Sport Gayhurst	24.0%	19.0%	-19.0%		-19.0%		-19.0%		0.0%	0.0%	0.0%
436	SND Cleaning - Our Lady and St Joseph School	0.0%	22.6%	0.0%		0.0%		0.0%		22.6%	22.6%	22.6%
437	SND Cleaning - Shoreditch Park School	29.9%	31.8%	-31.5%		-31.5%		-31.5%		0.3%	0.3%	0.3%
438	PJ Naylor Baden Powell	21.4%	19.8%	0.0%		0.0%		0.0%		19.8%	19.8%	19.8%
442	Boxing Academy	17.0%	17.1%	-1.7%		-1.7%		-1.7%		15.4%	15.4%	15.4%
445	City of London Academy Shoreditch Park	18.5%	20.1%	-0.6%		-0.6%		-0.6%		19.5%	19.5%	19.5%
446	Westgate Cleaning Services (Simon Mark School)	37.2%	34.0%	0.0%		0.0%		0.0%		34.0%	34.0%	34.0%
447	Lubavitch Foundation	32.1%	18.6%	0.0%		0.0%		0.0%		18.6%	18.6%	18.6%
449	CIS Security	34.3%	28.6%	0.0%		0.0%		0.0%		28.6%	28.6%	28.6%
450	PJ Naylor Cleaning Services (Grasmere School)	24.2%	20.7%	0.0%		0.0%		0.0%		20.7%	20.7%	20.7%
	Lubavitch Multi Academy Trust	25.9%	21.7%	0.5%		0.5%		0.5%		22.2%	22.2%	22.2%
	Community Schools Trust	17.9%	22.8%	-4.3%		-4.3%		-4.3%		18.5%	18.5%	18.5%
	Eko Trust	17.9%	20.7%	-2.1%		-2.1%		-2.1%		18.6%	18.6%	18.6%

Notes

Contributions expressed as a percentage of payroll should be paid into London Borough of Hackney Pension Fund ("the Fund") at a frequency in accordance with the requirements of the Regulations;

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.

Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions. If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their certified contribution rate may be reduced by the value of their insurance premium, for the period the insurance is in place.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

There has been significant volatility in the financial markets during February and March 2020 as a result of the COVID-19 pandemic. This volatility may impact funding balance sheets for those employers planning to exit the Fund during the period covered by this Rates and Adjustments Certificate. In order to effectively manage employer exits from the Fund, the Administering Authority reserves the right to revisit the contribution rates for employers that are expected to cease participation in the Fund before 31 March 2023. An employer will be contacted by the Administering Authority in this instance.

London Borough of Hackney Pension Fund Governance Policy and Compliance Statement

Administering Authority

The London Borough of Hackney Council is the Administering Authority of the London Borough of Hackney Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish a Governance Compliance Statement setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under review, to make revisions as appropriate and, where such revisions are made, to publish a revised statement.

Aims and Objectives

Hackney Council recognises the significance of its role as Administering Authority to the London Borough of Hackney Pension Fund on behalf of its stakeholders, which include:

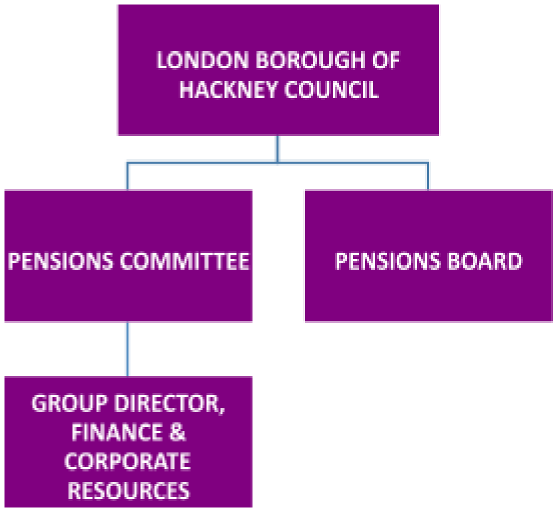
- around 22,000 current and former members of the Fund, and their dependants
- over 20 employers within the Hackney Council area or with close links to Hackney Council
- local taxpayers within the London Borough of Hackney.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff, Pensions Committee and Pensions 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 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

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made, the procedures which are followed to ensure that those decisions are efficient and transparent and that those who made the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered. This framework is depicted in the diagram below.



Terms of Reference for the Pensions Committee

The Constitution allows for the appointment of a Pensions Committee which has responsibility for the discharge of all non-executive functions assigned to it. The following are the terms of reference for the Pensions Committee:

1. To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
2. To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
3. To formulate and publish a Statement of Investment Principles.
4. To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.
5. To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
6. To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
7. To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
8. To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
9. To receive and approve an Annual Report on the activities of the Fund prior to publication.

10. To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
11. To keep the terms of reference under review.
12. To determine all matters relating to admission body issues.
13. To focus on strategic and investment related matters at two Pensions Committee meetings.
14. To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan
15. To maintain an overview of pensions training for Members.

In addition the Pensions Committee will also co-opt a non-voting employer representative and a non-voting scheme member representative.

Membership of the Pensions Committee

The Council decides the composition and makes appointments to the Pensions Committee. Currently the membership of the Pensions Committee is a minimum of 5 elected Members from Hackney Council on a politically proportionate basis. The Pensions Committee will elect a Chair and Vice Chair. All Hackney Council elected Members have voting rights on the Committee; two voting members of the Committee are required to deem the meeting quorate.

In addition the membership includes two co-opted non-voting members representing employer and scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee and have access to all Committee advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process. Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees of the Pension Fund with all the legal responsibilities that this entails. It was therefore not felt to be appropriate to apply the same legal definition to the lay members of the Committee; hence their role as non-voting members.

Members of the Pensions Committee, including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings; this will be the case when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Meetings

The Pensions Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee and will include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor and Benefits Consultant.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Hackney Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website www.hackney.gov.uk.

Other Delegations of Powers

The Pensions Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee have a clear fiduciary duty in the performance of their functions; they must ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix C outlines the areas that the Pensions Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Group Director, Finance & Corporate Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Group Director, Finance & Corporate Resources will delegate aspects of the role to other officers of the Council including the Director, Financial Management, the Head of Pensions Administration and the Head of Pension Fund Investment and to professional advisors within the scope of the LGPS Regulations.

Pensions Board

From 1 April 2015, each Administering Authority has been required to establish a local Pensions Board to assist them with

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund Such Pensions Boards are not local authority committees; as such the Constitution of Hackney Council does not apply to the Pensions Board unless it is expressly referred to in the Board's terms of reference. The Hackney Pensions Board established by Hackney Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

Role of the Pensions Board

The Council has charged the Pensions Board with providing oversight of the matters outlined above. The Pensions Board, however, is not a decision making body in relation to the management of the Pension Fund. The Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pensions Committee or otherwise remain solely the powers and responsibilities of the Council and Committee, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors and advisors as required.

Membership of the Pensions Board

The Pensions Board consists of either 4 or 5 members as follows:

- Two Employer Representatives, one of which must be from Hackney Council
- Two Scheme Member Representatives, one of which must be a member of the London Borough of Hackney Pension Fund
- One Independent Member (non-voting) to act as chair of the Pensions Board, which is an optional position that may be utilised if it is considered that the other members of the Board do not have the requisite knowledge and skills to undertake this position at the time of appointment.

The members of the Board are appointed by an Appointments Panel which consists of:

- the Lead Member for Finance
- the Group Director, Corporate Finance and Resources
- the Director, Financial Management
- the Director, Legal

Pensions Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pensions Board will as far as possible reach a consensus.

A meeting of the Pensions Board is only quorate when two of the four Employer and Scheme Member Representatives are present. If the Board has an Independent Member they must also be present.

Members of the Pensions Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

Meetings

The Pensions Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Pensions Board will be treated in the same way as a Committee of Hackney Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Committee.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can either be found on the Pension Fund Website https://hackneypension.co.uk, by emailing the Financial Services Department pensions@hackney.gov.uk or by writing to the address given at the end of this document.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2016 require pension fund administering authorities to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by the regulations must include:-

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

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

Governance and Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix A and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

Hackney Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pensions Committee members, Pensions Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Hackney Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

As well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pensions Board members or pension fund officers which may be issued from time to time.

Members of the Pensions Committee, Pensions Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least an annual basis.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with CIPFA's Code of Practice on Local Authority Accounting, which transposes various IFRS requirements for the public sector. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the website https://hackneypension.co.uk. A briefing note prepared from the annual report and accounts of the pension fund is distributed to scheme members annually.

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website https://hackneypension.co.uk

Discretions Policies

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Hackney's Employing Authority Discretions can be found on the website https://hackneypension.co.uk.

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website https://hackneypension.co.uk. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Approval, Review and Consultation

This Governance Policy and Statement was approved at the London Borough of Hackney Pensions Committee meeting on 27/06/2017 following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration.

Contact Information

Further information on the London Borough of Hackney Pension Fund can be found as shown below:

London Borough of Hackney Pension Fund
Financial Services
4th Floor, Hackney Service Centre
1 Hillman Street
London E8 1DY

Telephone: 020 8356 2745

Email:
pensions@hackney.gov.uk (Governance)
hackney.pensions@equiniti.com (Administration)

Pension Fund Website: https://hackneypension.co.uk

Hackney Council Website: www.hackney.gov.uk (Minutes, Agendas, etc.)

Appendix A

Governance Best Practice – Compliance Statement

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the Secretary of State for Communities and Local Government.

The following compliance statement has been approved by the Pensions Committee. This sets out where the Pension Fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

Structure

a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. *Fully compliant – Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters.*

b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. *Fully compliant – Employer and Scheme member representatives are appointed to the Pension Committee.*

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. *Fully Compliant – no secondary committee.*

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. *Fully Compliant – no secondary committee.*

	Not Compliant*				Fully Compliant
a)					✓
b)					✓
c)					✓
d)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:
Decision taken by Committee not to hold a secondary committee and that employer and scheme member representatives may participate at main Committee.

Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-

i) employing authorities (including non-scheme employers, e.g., admitted bodies);
ii) scheme members (including deferred and pensioner scheme members);
iii) where appropriate, independent professional observers; and
iv) expert advisers (on an ad-hoc basis).

Fully Compliant – (i) Employing authorities are represented by an employer representative with responsibility for representing the interests of all employers participating in the Fund. (ii) Scheme members are represented by an individual with responsibility for representing the interest of all Scheme members. (iii) At this stage the Pensions Committee has determined that there is no requirement for an independent professional observer. (iv) Expert advisers – investment consultant participates at all meetings of the Committee and other expert advisors are invited to attend as and when required.

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to advisers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. *Fully Compliant – All members are sent Committee papers ahead of meetings, are invited to training and are able to fully contribute to the decision making process.*

	Not Compliant*				Fully Compliant
a)					✓
b)					✓

* Please use this space to explain the reason for non-compliance : N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:
(i) & (ii) Co-opted members of the Pensions Committee have been charged with representing the interests of the groups that they have been co-opted onto the Committee for.

Selection and role of lay members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. *Fully Compliant – see Governance Policy*

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. *Fully Compliant – Members of the Committee declare interests at the start of each meeting.*

	Not Compliant*				Fully Compliant
a)					✓
b)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above: N/A

Voting

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. *Fully Compliant – See Governance Statement*

	Not Compliant*				**Fully Compliant**
a)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:
Whilst the co-opted employer and scheme member representatives do not have voting rights, they are encouraged to fully participate in the meetings and decision making process.

Training/Facility Time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. *Fully Compliant.*

b) That where such a policy exists, it applies equally to all members of committees, advisory panels or any other form of secondary forum. *Fully Compliant.*

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken. *Fully Compliant.*

	Not Compliant*				**Fully Compliant**
a)					✓
b)					✓
c)					✓

* Please use this space to explain the reason for non-compliance : N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:
Please see the Fund's Training Policy.

Meetings (frequency/quorum)

a) That an administering authority's main committee or committees meet at least quarterly. *Fully Compliant.*

b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. *Fully Compliant – only main Committee.*

c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. *Fully compliant – Employer and scheme member interests are represented at the main Pensions Committee.*

	Not Compliant*				Fully Compliant
a)					✓
b)					✓
c)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Access

a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. *Fully Compliant – Committee papers are despatched 5 clear working days prior to a Committee meeting.*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above: N/A

Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. *Fully Compliant – The Committee reviews all aspects of Pension Fund management.*

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above : N/A

Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. *Fully Compliant –*
Governance Policy and Compliance Statement published in full in the Pension Fund Annual
Report & Accounts and on the Pensions website https://hackneypension.co.uk

	Not Compliant*				Fully Compliant
a)					✓

* Please use this space to explain the reason for non-compliance: N/A

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Appendix B

Delegation of Functions to Officers by Pensions Committee

Key:
PC – Pensions Committee
GDFCR – Group Director, Finance & Corporate Resources
DFM – Director, Financial Management
HPA – Head of Pensions Administration
HPFI – Head of Pension Fund Investment
IC – Investment Consultant
FA – Fund Actuary
Advisers – Investment, actuarial and/or benefits consultants as appropriate

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
To formulate & publish a Statement of Investment Principals and to monitor performance and effectiveness of investment managers	Implementation of strategic allocation including use of both rebalancing and conditional ranges	HPFI (having regard to ongoing advice of the GDFCR, DFM and advisers and in consultation with the Chair of PC)	High level monitoring at PC with more detailed monitoring by HPFI and GDFCR
To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice and develop a medium term plan to deliver the objectives	Implementation of the agreed Flightpath triggers	DFM, HPFI and GDFCR (having regard to ongoing advice of the FA and IC)	High level monitoring at PC with more detailed monitoring by HPFI and GDFCR
To determine the strategic asset allocation policy, the investment strategies to be selected and the performance measures to be set for them.	To consider investment strategies and to recommend these for consideration by PC	DFM, HPFI and GDFCR (having regards to ongoing advice of advisers)	High level monitoring at PC with more detailed monitoring by advisers
Selection, appointment and dismissal of the Fund's suppliers, including actuary, benefits consultants, investment consultants, global custodian and pension funds administrator.	Ongoing monitoring of suppliers	HPFI/HPA and GDFCR (having regard to ongoing advice of advisers) and subject to ratification by PC	High level monitoring at PC with more detailed monitoring by advisers

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Selection, appointment and dismissal of the Fund's suppliers, including actuary, benefits consultants, investment consultants, global custodian and pension funds administrator.	Selection, appointment and termination of suppliers following approval by PC	DFM, HPFI/HPA and GDFCR (having regard to ongoing advice of advisers) and subject to ratification by PC	Notified to PC via ratification process.
To determine all matters relating to admission body issues.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund where the employer.	DFM, HPFI/HPA and GDFCR after taking appropriate advice from the FA.	Ongoing reporting to PC for noting
To review the Pension Fund's policy and strategy documents on a regular cycle and review performance against the Fund's objectives within the business plan	Changes to Administering Authority discretionary policies necessitated by changes to regulations - authority to amend the policies to reflect the requirements of such new regulations, subject to those decisions having no significant financial implications.	GDFCR and the Director, Legal	Copy of policy to be circulated to PC members once approved.

Function delegated to PC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PC.	HPFI/HPA, DFM and GDFCR, subject to agreement with Chairman and Deputy Chairman (or either, if only one available in timescale)	PC advised of consultation via e-mail (if not already raised previously at PC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PC for noting.
To maintain an overview of pensions training for Members - overall responsibility for the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice[1]	GDFCR and DFM	Regular reports provided to PC and included in Annual Report and Accounts.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	HPFI/HPA, DFM and GDFCR, subject to agreement with Chairman and Deputy Chairman (or either, if only one is available in timescale)	PC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PC and subject to monitoring agreed at that time.

[1] CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.

London Borough of Hackney Pension Fund Communications Policy Statement

Legislative Background

This document sets out the Communications Policy of the Administering Authority of the London Borough of Hackney Pension Fund as required under the Local Government Pension Scheme Regulations (2013), Regulation 61.

The Public Service Pensions Act 2013 also introduced a framework for the governance and administration of public sector service pension schemes and provided an extended regulatory oversight of the LGPS to the Pensions Regulator. The Regulator's Code of Practice No14 has detailed guidance on providing good quality communications to members and others, with reference to the Occupational & Personal Pensions Scheme (Disclosure of Information) Regulations 2013 and HM Treasury Directions 2014 on Information about Benefits.

Communication Strategy

The aim of this 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. Regulations require each Administering Authority to prepare, maintain and publish a statement setting out their policy on communicating with the following stakeholders and organisations:

•

Communications Methodology

The administering authority has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom. The methods used by the Administering Authority to communicate with all interested parties are detailed below.

General Communications

We use a range of methods to communicate including a variety of paper-based and electronic means. The Fund has a dedicated Pensions website: **hackneypension.co.uk** and the use of a secure portal 'Sharefile' for employers to upload confidential information.

We will accept some communications electronically and will respond electronically where possible. For security reasons, we will not use email for communicating sensitive information or where it is necessary to verify the address or identity of the sender

- **Pension Scheme Administrators** – The Fund's administrators, Equiniti, will assist with the overall administration of the scheme to ensure the smooth operation of the administrative function.

  They can be contacted via the helpline number - 01293 603085 or by email:-

  - for Members of the scheme – **hackney.pensions@equiniti.com**
  - for Administration staff – **hackney.employers@equiniti.com**

- **Website** – Communication in the form of a dedicated Pension Fund website is available which contains a wide range of information for not only scheme members but also scheme employers and other interested parties. The website can be accessed via **hackneypension.co.uk**. The website contains copies of scheme guides, newsletters and other relevant information pertaining to the LGPS
- **Policy Documents** – These are available for all stakeholders to access either on the website at **hackneypension.co.uk**, in hard copy or electronically on application. Copies of all policy documents are held within the Financial Services Section, Finance and Resources Directorate.
- **Posters** – These will be designed to help those who are both members and non-members of the LGPS, to understand the full range of benefits when participating in the scheme, and providing guidance on how to obtain more information and also how to join the scheme.
- **Council Intranet** – Updates on the scheme and any other relevant news in regards to LGPS is available through communication updates via the Council intranet, which is the Fund's largest employer.

Branding

As the pension fund is administered by Equiniti, all literature and communications will include a combination of the branding of the London Borough of Hackney, Hackney Pensions and
Equiniti.

Data Protection Statement

To protect any personal information held on computer, the London Borough of Hackney Pension Fund and the pension administrators, Equiniti, are registered under the Data Protection Act 1998. This allows members to check that their details held are accurate.

The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the pension administrators, Equiniti, on 01293 603085 or by email **hackney.pensions@equiniti.com**

National Fraud Initiative (NFI)

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. This includes our participation in the Government's National Fraud Initiative (NFI), and it may also share information with other bodies responsible for auditing, or administering public funds, solely for the purposes of preventing and/or detecting fraud.

Policy on Communicating with Contributing (active) Scheme Members, Deferred and Pensioner Members

All members of the Scheme (active, deferred and pensioner members) will be kept informed about their benefits, developments in the Scheme and any changes to the scheme of a regulatory or operational nature. This includes consultation with representative groups as required.

- **Scheme Guides** – There are scheme guides available for members setting out the conditions of membership and main scheme benefits that apply under the Local Government Pension Scheme (LGPS). A copy of these will be provided to new employees of the scheme and at other times on request. The scheme guides can also be found on the Pension Fund website at hackneypension.co.uk which is available for any member to access.

- **Member Self-Service** – Via the Fund's website, all scheme members can securely access their pension details held on the pension administrator's database. This facility allows scheme members to check their personal details and advise the administrators of any changes. It also has the ability for scheme members to produce an estimate of their potential LGPS benefits due to them at retirement. Pensioner members will be able to view payslips and P60's and their address details.
- **Annual Benefit Statements** – Active and deferred scheme members are entitled to an annual benefit statement detailing the benefits that they might expect at retirement. These are issued annually and would normally be issued within 5 months of the financial year end (31st March). These contain vital information for scheme members and enable individuals to make informed choices about their retirement options.
- **Pension Surgeries** – based at Hackney Service Centre, 1 Hillman Street, London, E8 1DY. Pension Officers can be contacted by email pensions@hackney.gov.uk or alternatively contact by telephone 020 8356 2521/2507/4266, for members (active, deferred and pensioners) to make an appointment to discuss their benefits, retirement issues and the options available in the Scheme.
- **Pension Roadshows/Presentations** – Roadshows and presentations are used to target specific topics or when major scheme changes occur, enabling all members of the LGPS to have access to information. General meetings and presentations will be held at intervals to communicate the benefits and options available to scheme members and prospective members.
- **Pre-retirement seminars –** Presentations on the scheme and benefit choices at preretirement seminars that are facilitated by the London Borough of Hackney Human Resources Department, to help scheme members approaching retirement prepare for the financial and lifestyle changes retirement brings.
- **Newsletters** – These will be sent to scheme members to communicate changes in regulations, developments in the fund and to inform members of changes in policy. The exact timing and nature of these newsletters will vary depending on what developments are taking place. However if there are regulatory changes which are likely to impact on individuals benefits or scheme membership in any significant way, then newsletters will be sent to members in sufficient time for them to be able to act upon that information. An annual accounts newsletter is sent to all scheme members providing information on the state of the fund, performance of the fund and any major changes which have taken place during the year.
- **Pensioner Payslips –** All pensioners receive a payslip each month along with their P60 at the end of the year. Electronic payslips are also available to those registered for self-service.
- **Pension Increase notifications –** The notification of the annual increase to pensioner benefits is sent out to every member in receipt of a pension each April.

- **Certificates of Continued Entitlement to Pensions (Life Certificates) –** The Fund will undertake an annual exercise, conducted through correspondence, in order to establish the continued existence of the following pensioners:
    - All pensioners living abroad (outside the UK).
    - Those over the age of 80
    - Those pensioners receiving pension benefits by cheque ▪ Those retired on ill health grounds.

  This exercise will also be undertaken every 3 years to establish the continued existence of ALL members in receipt of a pension.

- **Pension Fund Report and Accounts Summary** – This provides a summary of the Pension Fund during the financial year and will be distributed annually to all scheme members

Policy on Communicating with Prospective Scheme Members

We will make information available to all prospective scheme members, new employees and prospective employees. All new employees will be contractually enrolled into the LGPS where their employer is a scheduled body or a contractor has an open admission agreement, the terms of which are to enrol new members and will receive information regarding the scheme. They can still choose to opt-out should they choose to do so.

- **Initial Contact** - All permanent new members of staff are contractually enrolled into the LGPS, where the employer is a scheduled body or open admission agreement contractor. Each new member is sent a welcome letter statutory notice by the pension administrators confirming their membership of the LGPS along with a scheme guide.
- **Induction seminars** – Presentation on the scheme and its benefits at the weekly induction seminars for all new employees of the Council, which are facilitated by HR, providing prospective new members of the scheme information in order for them to make an informed decision in regard to membership of the scheme. Induction seminars are also provided for other employers on request.
- **Liaison Officer, Pensions** – based at Hackney Service Centre, 1 Hillman Street, London E8 1DY, the Liaison Officer, Pensions is easily contactable by email: pensions@hackney.gov.uk telephone 020 8356 6802, or letter. It is also possible to arrange a one-to-one meeting to discuss the benefits and options available to prospective members.
- **Scheme Guides** – There are scheme guides available for prospective members setting out the conditions of membership and main scheme benefits that apply under the Local Government Pension Scheme (LGPS). A copy of these will be provided electronically to new employees and prospective members of the scheme, and at other times, on request. The scheme guides can also be found on the Pension Fund website hackneypension.co.uk which is available for any member to access.

Policy on Communicating with Employers participating in the Fund

We will keep employers in the Pension Fund informed about developments in the Scheme and consult on changes to the Scheme as required. Potential scheme employers will also have access to information about the Pension Fund to ensure that they are fully informed in their relationship with the Fund.

- **Employer Guide** – This is a guide for scheme employers outlining the details of the scheme and the administrative arrangements for the scheme. This has been distributed to all employers in the scheme and all new employers will receive copies. Training on procedures in relation to the employer guide is also available upon request.
- **Employer Seminars/Meetings** – Annual employer forums are held to update employers of relevant current issues, policy changes and investment updates. Further seminars/meetings will be held as appropriate to communicate changes in policy within the Scheme or to discuss major issues affecting all employers such as the triennial actuarial review. Individual meetings with separate employers will be held annually or as required. Employers will also be notified in writing of any changes which affect them or the way that the scheme is administered.
- **Email –** Periodic emails are sent to keep scheme employers up to date with topical pension matters, and payroll issues that may have an effect on pensions, including articles from LGA Circulars and Bulletins, and any relevant external training courses they may wish to attend
- **Quarterly Newsletter –** A quarterly newsletter is sent to all Employers and Schools to ensure that the scheme employers are aware of current issues, policy changes and amendments to pension matters that affect themselves and/or their members
- **Secure Portal** – The Fund has a secure portal 'Sharefile' which facilitates the transfer of sensitive information and data between the Fund and Employers electronically. Access rights are strictly controlled by the pension administrators, Equiniti.
- **Website** – The website has a dedicated area for Scheme Employers and is used to access detailed information on procedures which must be followed to administer the LGPS and holds a wide range of information in regard to Employer Guides, pension forms, newsletters and policies. The website can be accessed via **hackneypension.co.uk**.
- **Pensions Administration Strategy (PAS) –** The administration strategy sets out the roles and responsibilities of the Administering Authority (the London Borough of Hackney), the third party administrator and employers in the Pension Fund and can be found on the website at: **hackneypension.co.uk**. It sets out the service level agreement and targets which all are expected to meet.
- **Employer Training –** The Fund offers all Scheme Employers training on the LGPS and their role in the administration of the scheme. This covers the full range of administrative and regulatory duties under the scheme regulations.

- **Annual Report and Accounts** – This contains details of the Pension Fund during the financial year, income and expenditure as well as other related details. This is a detailed and lengthy document and will therefore not be routinely distributed, except to employers participating in the Fund or on request. The full document will be published on the website at hackneypension.co.uk .

Policy on Communicating with Elected Members

Information will be provided to Council Members in order for them to be able to fulfil their duties under the role of administering authority.

- **Access to Pensions Committee** – The Pensions Committee is the Committee which has delegated power to review, administer and monitor the Pension Fund. The Committee meets a minimum of four times a year or more frequently, as required. Meetings are open to members of the public, although there may be occasions when members of the public are excluded due to the confidential nature of matters under discussion.
- **Committee Reports** – Reports to Pensions Committee and to other Committees as necessary, for example Corporate Committee and Council, ensures that Council Members are kept informed of developments in relation to Pension Fund issues and the impact that these can have on overall Council policies and procedures. These are published on the Council's website. The agenda, reports and minutes of the meetings are available on the Council's website at http://www.hackney.gov.uk/Imayor-cabinet-councillors.htm
- **Training –** Committee Member training is a standing agenda item and the Committee liaise with Officers on training needed and received on an on-going basis each year. They are also kept informed of any relevant external training course
- **Presentations** – Officers and advisers to the Fund deliver presentations on investment and administration matters to the Committee

Policy on Communicating with the Pensions Board

The Pensions Board will meet at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

- **Reports to The Pensions Board** - The Pensions Board will be treated in the same way as a Committee of Hackney Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Committee.
- **Training –** The Pensions Board will be provided with, and be required to undertake, appropriate training, either provided internally by Officers or externally.

Policy on Communicating with Other Bodies

There are a number of other interested parties with whom we will communicate with as required, this includes:

- **The Department for Communities and Local Government (DCLG)** – regular contact with DCLG as regulator of the scheme, participating and responding to consultations as required.
- **Trade Unions –** we will work with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts will be made to ensure all pension related issues are communicated effectively with the trade unions.
- **Employer Representatives** - we will work with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups.
- **Pension Fund Investment Managers, Advisers and Actuaries** –

  Regular meetings with the Fund Managers who invest funds on behalf of the Fund.

  Regular meetings with Investment Advisers who provide help and advice on the asset allocation and investments of the Fund

  Regular meetings with the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund
- **Pension Fund Custodian** – The Fund's Custodian is HSBC, who ensures the safekeeping of the Funds investment transactions and all related share certificates.
- **AVC Provider** – Additional Voluntary Contributions (AVC) are a way to top up your pension benefits, and in some instances provide tax free lump sum depending on the policy, and are held and invested separately from the LGPS. The Funds preferred AVC provider is Prudential
- **Pensions and Lifetime Savings Association (PLSA) (previously known as NAPF)** – The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.
- **Local Authority Pension Fund Forum (LAPFF)** – The Fund is a member of LAPFF which was established to help local authority funds share information and ideas about socially responsible investing.
- **London Pension Officers Group (LPOG) & London Pension Officers Forum (LPOF) –** the Fund is a member of these voluntary groups. Meetings are held on a quarterly basis to share information and ensure standardised interpretation of LGPS regulations and best practice.
- **Requests for Information (FOI)** - Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality.

- **Consultations** – There are occasions when the administering authority will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the London Borough of Hackney Pension Scheme. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.
- **Minority Groups** – It is recognised that there may be occasions when some minority groups may not be able to access all the information available to others. The Pension Fund will try to ensure that information is available to the widest possible audience and as such will try to ensure that minority groups do have access to information. This is however a developing area, but feedback on how to promote better access for all minority groups is welcome.

Communication Material

The table below shows the Fund communications along with their publication frequency and the format in which they are available to their intended audience.

Communication Material	Paper form	Electronic form	Website	Frequency	Intended Audience (active, deferred, pensioner, prospective members, employers or ALL)
Annual Benefit Statements	✔	✔		Annually	Active, Deferred
Annual Newsletter	✔	✔	✔	Annually	ALL
Pension Updates	✔	✔	✔	When details available	Active, Prospective, Employers
Ad hoc Newsletters	✔	✔	✔	As required	ALL
Newsletter		✔	✔	Quarterly	Employers (& schools)
Payslips	✔	✔		Monthly	Pensioners
Notice of Pension Increase (PI)	✔		✔	Annually (April)	Pensioners

Scheme Updates/Changes workshop	✔	✔		As required	Active members/ Employers (& schools)
Scheme Guides	✔	✔	✔	When requested	ALL
Induction Sessions	✔	✔		Weekly	Prospective
Pre-Retirement Seminars		✔		As required	Active
Employer Forum		✔	✔	Annually	Employers
Pensions Administration Strategy (PAS)	✔	✔	✔	Annually (April)	Employers (& schools)
Pension Committee	✔	✔	✔	4 to 6 meetings per financial year	ALL
Pensions Board	✔	✔	✔	2 meetings per financial year	ALL
Communications Policy Statement	✔	✔	✔	Annually (April)	ALL
Full Report & Accounts	✔	✔	✔	Annually (November)	ALL
Summary Report & Accounts	✔	✔	✔	Annually	Active, Deferred, Pensioner
Statement of Investment Principles	✔	✔	✔	Annually (April)	ALL
Ad-Hoc Queries	✔	✔		Within set timescales	ALL

Feedback

The Fund welcomes comments and feedback from scheme members, scheme employers, prospective members and other interested parties. The mechanisms for feedback include consultation periods, direct communication with the scheme administrators and direct communication with the Financial Services Section which oversees all aspects of the Pension Fund. Contact details are provided below for the relevant departments.

General administrative queries relating to pension scheme membership issues should be addressed to:

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

Tel No: 01293 603085

To contact them by email -

- for members of the scheme - **hackney.pensions@equiniti.com** -
  for Administration staff – **hackney.employers@equiniti.com**

For other queries and feedback issues:

Financial Services Section
Finance and Resources Directorate
4th Floor Hackney Service Centre
1 Hillman Street
London
E8 1DY

Email: **pensions@hackney.gov.uk**

Review of the Communications Policy

This policy document will be reviewed annually and updated as required when there are significant changes to be made and, if appropriate, will be consulted upon with the relevant stakeholders.

Local Government Pension Scheme Regulations 2013

Below is the relevant extract from the Local Government Pension Scheme Regulations 2013, Regulation 61, which sets out the requirements of the Communications Policy for LGPS Funds

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

(a) members;

(b) representatives of members;

(c) prospective members; and

(d) Scheme employers.

(2) In particular the statement must set out its policy on—

(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

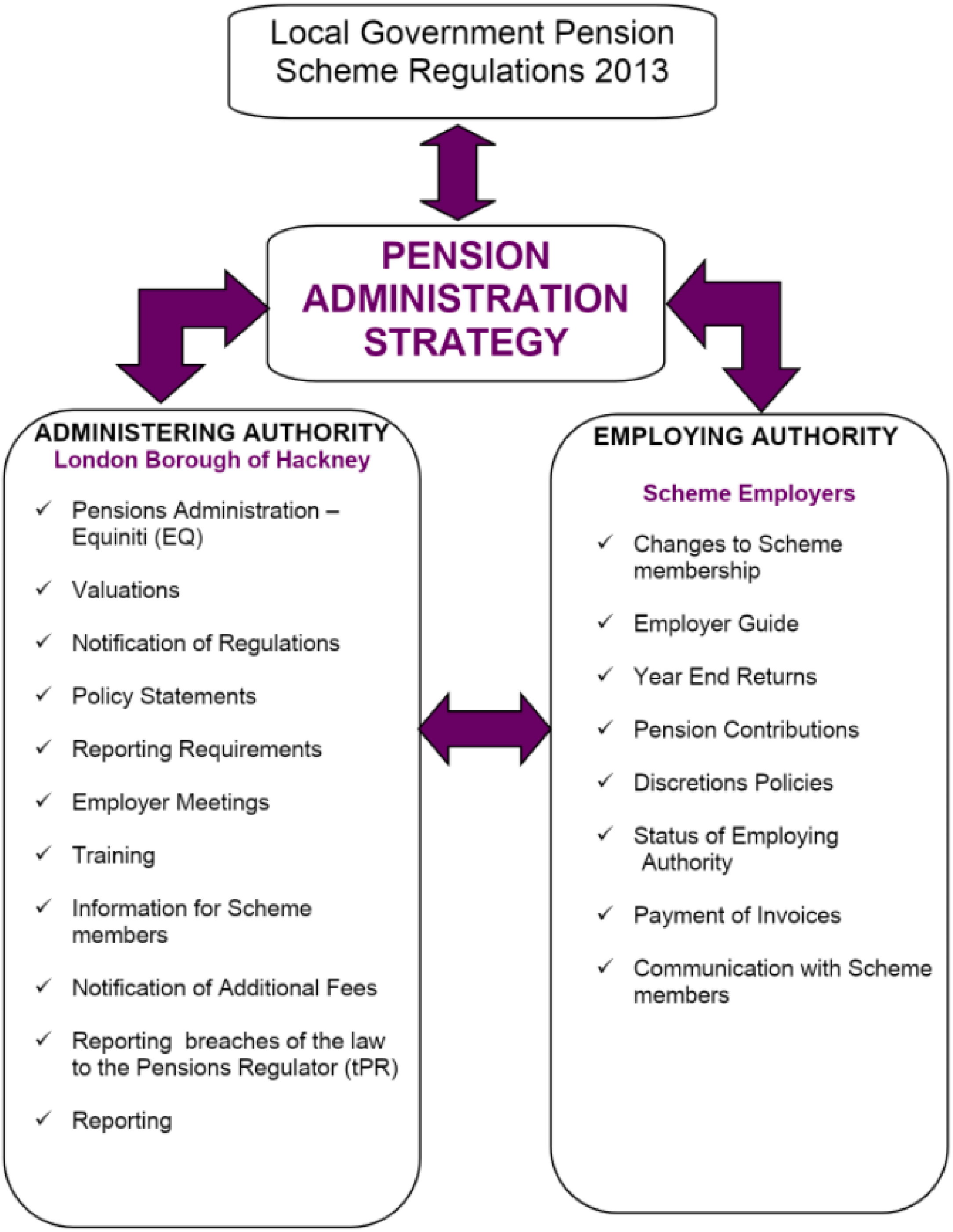
(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

London Borough of Hackney Pension Fund Pension Administration Strategy 2020-2023

Introduction

This is the Administration Strategy Statement of the London Borough of Hackney Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS – the Scheme), which is administered by the London Borough of Hackney (LBH) and Equiniti (EQ). Below is a diagram showing the roles and responsibilities of the parties in the administration of the scheme.



Aims and Objectives

The aim of this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy will assist in clarifying the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

In addition, there are approximately 70 local authority schools that operationally are part of the London Borough of Hackney, but use separate payroll providers. Unless specifically mentioned otherwise, all references in this strategy to employers apply to these local authority schools, and they are required to provide information as if they are separate employers.

Effective and efficient administration of the pension fund is beneficial to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

Setting out the expectations of the Administering Authority and Employing Authorities will help to ensure that both parties are aware of their roles and responsibilities in relation to the administration of the pension scheme. Both employer and administrator are dependent on the other for effectual communication and accurate flows of information without which the pension scheme cannot be administered effectively. The scheme members are reliant on both the employer and the administrator to ensure that their pension records are accurate and that they are well informed.

The Pension Administration Strategy is not meant to supersede existing procedures or policies but to complement them. The Admission Agreement sets out some basic requirements of both the Administering Authority and the employer and the Employer Guide sets out in detail how to carry out day to day administration of the Pension Fund within the employer's site.

The Pensions Administration Strategy has a number of specific objectives, including:

- 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.

Implementation

The Administration Strategy is effective from 1 April 2020.

Regulatory basis

The Scheme is a statutory scheme, established by an Act of Parliament. The following regulations governing the Scheme are shown below:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2013 (as amended)

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

ADMINISTRATION IN THE LONDON BOROUGH OF HACKNEY

Responsibility

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pension Committee. The Pension Committee will monitor the implementation of this Administration Strategy on an annual basis.

In addition, the Pensions Board will assist and advise the Administering Authority in ensuring compliance with the Regulations and will receive reports on the Administration Strategy and its effectiveness.

Objective

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. Operationally the administration of the Fund is partly outsourced to Equiniti and partly carried out by staff of the Administering Authority.

The Administering Authority and Equiniti staff work together to provide a seamless service to scheme employers and scheme members.

Communications

The Fund has published a Communication Strategy Statement, which describes the way the Fund communicates with:-

- scheme members
- members representatives
- prospective members
- scheme employers
- other stakeholders/interested parties

The latest version of the Communication Strategy Statement can be obtained from the Fund website:- www.hackneypension.co.uk

The table below summarises the current methods the Fund uses to communicate:

Method of Communication	Communication material
Website www.hackneypension.co.uk	Information about the Fund, the LGPS, administrative procedures, policies and forms for use
Newsletters	Annual newsletter and additional newsletters issued as may be necessary to highlight new issues and forthcoming events
Employer meetings	Held annually to provide Employers with a forum to address the Fund's staff and advisers
Pensions helplines:- Equiniti Administering Authority (LB Hackney) Pension Team	01293 604 055 020 8356 2521
E-mail addresses: For the Equiniti team: Hackney.pensions@equiniti.com For the Administering Authority team: pensions@hackney.gov.uk	To answer day to day questions about administering the Scheme
Individual Employer meetings	Offered to Employers who need advice about how to carry out the day to day administration of the Scheme
Annual Benefit Statements	Sent to active and deferred scheme members
Individual Scheme member meetings	1-2-1 meetings available with a member of the Pensions team as required
Pension Presentations	Presentations to staff, managers, new employees, etc. on pension related matters

Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments by sending emails and newsletters, and by providing free training, forums and workshops for Employers when new Regulations are implemented or are under consideration. Additionally free training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of this approach are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes

- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions

- To provide ongoing training on relevant employer responsibilities

- To support the implementation of new technology within the Fund to enable self-service for the Employer and streamlined administration

To achieve this, the Fund will:-

- Work with Employers' Human Resources, Payroll and other staff to help develop relevant skills and knowledge by providing appropriate assistance, guidance and training

- Organise free workshops and forums for Employers to debate new issues as they emerge

This strategy will ensure that Employers have a common understanding of their obligations under the Local Government Pension Scheme, and that administrative processes are designed to maximise efficiency and effectively manage risk.

The Fund will provide free training for Employers' relevant staff, to build up and maintain a level of professional expertise which will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

PERFORMANCE STANDARDS

The Scheme prescribes that certain decisions be taken by either the Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has agreed levels of performance between itself and scheme employers which are set out below:

Overriding legislation

Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 & 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003/GDRP legislation effective from 25 May 2018
- Finance Act 2013
- Relevant Health and Safety legislation
- Any other legislation that may apply at the current time

Internal quality standards

The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide
- all information required by the Fund to be provided in the required format and/or on the appropriate forms referred to in the Employers' Guide which are accessible from the Fund website at www.hackneypension.co.uk
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions are carried out, or information provided, within the timescales set out in this Administration Strategy.

Timeliness

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme. The Scheme itself sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

FUND RESPONSIBILITIES

The London Borough of Hackney is the Administering Authority of the London Borough of Hackney Pension Fund and has delegated powers to the Pensions Committee to oversee the management of the Pension Fund. The role of the Administering Authority is to administer the Pension Fund and act as a quasi-trustee body for the management of the Pension Fund.

The Pensions Board comprising equal numbers of employer and scheme member representatives will assist the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund and will therefore review the effectiveness of the Fund's Pension Administration Strategy on an annual basis.

This section outlines the key responsibilities of the Fund and the performance standards scheme employers and scheme members should expect. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities. It includes the performance standards that the Administering Authority has agreed with the pension administrators, Equiniti (EQ).

Administering Authority
Fund Administration

pensions@hackney

This section details the functions which relate to the **whole Fund**, rather than individual scheme members' benefits.

Task/Function	Standard
Pension Administration Strategy - PAS	Consult with employers following any significant revisions to the Administration Strategy Publish agreed Strategy within 2 months of being agreed by the Pensions Committee
Member Scheme Guide to the LGPS **Employers' Guide to the LGPS**	Update & publish within 30 working days from any significant revision.
Pension forms	Update & publish within 30 working days from any significant revision.
Scheme Employers' meeting	Annually

Task/Function	Standard
Training sessions for scheme employers.	Upon request from scheme employers, or as required.
Changes to the scheme rules.	Notify employers within 2 months of the change(s) coming into effect.
Employer's unsatisfactory performance.	As soon as a performance issue becomes apparent.
Recovery of additional administration costs - associated with the scheme employer's unsatisfactory performance (including any interest that may be due).	Within 30 working days of scheme employer's failure to improve performance, as agreed.
Annual Benefit Statements to active and deferred members	To be issued no later than 5 months after the end of the Scheme year to which it relates.
Valuation results (including individual employer details).	10 working days from receipt of results from the Fund's actuary (but in any event no later than 31 March following the valuation date).
Cessation valuation exercises – on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
Arrange for calculation of FRS102 (valuations for employers as required)	Issue results within 10 working days from receipt from the Fund's actuary
Admission Agreements for new scheme employers, where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of employer entry to the scheme

Task/Function	Standard
Governance Policy and Compliance Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee.
Funding Strategy Statement – FSS reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Revised statement to be published at the same time as the final valuation report is issued.
Pension Fund Annual Report and Accounts – PF R&A (and any report from the auditor)	By 30 September following the year end or following the issue of the auditor's opinion
Communications Strategy Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee
Statement of Investment Principles - SIP	Publish within 30 working days of policy being agreed by the Pensions Committee
Administering Authority Discretions Policies	Publish within 30 working days of policy being agreed by the Pensions Committee
Statutory auto-enrolment communications Agree with integrated bodies (e.g. maintained & VA schools) the arrangements for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti

EQUINITI

The Fund's third party administrators, Equiniti (EQ), assist with the overall administration of the scheme and to ensure the smooth operation of the administrative function.

Equiniti can be contacted via their helpline number - 01293 604 055

or by email: – hackney.employers@equiniti.com

As a Fund, there are certain administrative functions that, under the LGPS Regulations, are legal requirements and must be processed within set timeframes. If scheme employers do not provide the requested data correctly, in the right format and within the timescales requested by the administrators, the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by the Pension Regulator (tPR).

The administrators, and the Fund, are therefore reliant on employers providing the data in order to correctly administer the scheme and fulfil its legal duties as listed below:

Process	Legal Requirement
To process new member information e.g. creating a pension account record	Provide information about the scheme within: ● 2 months from date of joining where scheme member information has been received or ● 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.
To provide transfer value information	3 months from date of request
To inform members who leave the scheme of their deferred benefit entitlement	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) of the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active and deferred members	31st August in the same calendar year

Service Standards Agreement - SLAs

In order to meet the legal requirements of the LGPS, the Fund as implemented a number of operational Service Standards in relation to the administration services provided by Equiniti: -

- All Service Standards are quoted in working days unless otherwise indicated.

Note – these Service Standards are only achievable with the cooperation of all scheme employers and by providing the correct data & information when requested:

Category	Process	Service Standard
Retirements	Overall case target to later of payment of lump sum and notification of final benefits	95% within 20 days from date of retirement
	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 3 days
	First pension payment	98% within 40 days
Death of a Member	Issue letter requesting any information required to verify entitlement to benefits	95% within 1 day
	Notification of benefits due and payment of lump sum death benefit (both to be completed in timescale)	95% within 3 days
	First survivor pension payment(s)	98% within 40 days
New Joiners main scheme & 50/50 scheme	New Joiner - apply for any transfer value details from a previous fund or scheme	95% within 5 days
	New joiner - Issue a notice to member confirming details relating to their admittance.	95% within 5 days
	50/50 scheme - Notify member when 50/50 membership commences or ceases	95% within 10 days

Estimates or Quotes	Estimates or quotations of benefits	95% within 10 days
Transfer In	LGPS and non-LGPS – Request details from previous pension arrangements	95% within 5 days
	LGPS and non-LGPS – Calculate and provide quotation service credit to member	95% within 10 days
	LGPS and non-LGPS – Request payment of transfer	95% within 5 days
	LGPS and non-LGPS – Notify the member of the benefits awarded	95% within 10 days
Transfer Out	LGPS and non-LGPS – Provide transfer value details/information pack to new provider and/or scheme member as appropriate	95% within 10 days
	LGPS and non-LGPS – Pay transfer value	95% within 10 days
	LGPS and non-LGPS – Notify pension provider that payment has been made	95% within 5 days of transfer value is paid
Pension Sharing Orders	Carry out calculation and provide information to scheme member/solicitor	95% within 5 days
	Calculate and notify final pension debit	95% within 5 days
	Calculate and notify final pension credit	95% within 5 days
Retirements	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days
	First pension payment	98% within 40 days
Leavers	Write to scheme member with options	95% within 10 days

Leaver Refunds	Calculate and pay refund of contributions	95% within 10 days
	Write to scheme member in advance of payment due date	95% 2 months in advance
Additional Contributions & Benefits	Providing information to members regarding paying or changing additional contributions (including AVCs) on request	95% within 10 days
	Absence Contributions – providing information to members on return from absence	95% within 10 days
	Action a request to pay additional contributions (including AVCs)	95% within 10 days
Annual Benefit Statements	Provide annual benefit statements to active and deferred members	31st August in the same calendar year

SCHEME EMPLOYER RESPONSIBILITIES

This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.

External Payroll or Administration Providers

Scheme employers must ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, the legal responsibility for the provision of pension data to the Administering Authority or the third party pension administrator, lies with the Scheme employer and not the third party. **Third party provision of these services includes companies such as: HLT (Hackney Learning Trust), Capita, EPM, Strictly Education etc.**

Any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme must be made aware of the standards that are to be met.

Scheme employers must therefore ensure, as part of any contract entered into with a third party, that the third party has sufficiently robust processes in place to fulfil the statutory duties of the Scheme and the performance levels set out in the Pension Administration Strategy.

All information must be provided in the format prescribed by the Fund and within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site www.hackneypension.co.uk

Employer Responsibilities

This section details the functions, **some of which are statutory**, and relate to scheme employers' responsibilities and tasks:

Task/Function	Performance Target
Nominated Representative To receive information from the Fund and to take responsibility for disseminating it within the organisation. Ensure the Fund is kept up to date with any change to the nominated representative.	Notify the Fund **within 30 working days** of employer joining fund, or change to nominated representative.
Employer Discretions Policy Formulate, publish and update (as necessary) in relation to all areas where the employer may exercise a discretion within the LGPS Regulations. A copy of the Policy must be provided to the Fund.	Provide a copy to the Fund **within 30 working days** of the policy being agreed *Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.*

Task/Function	Performance Target
Enquiries & Data queries From the Fund	Respond to the Fund/administrators within **10 working days** from receipt of enquiry.
Contributions – Employer & Employee Paid monthly to the Fund and to provide schedule of payments in the correct format stipulated by the Fund.	Cleared funds to be received **by/on 19th calendar day** of the month following the deduction. *Failure to provide the Fund/*Administrators *with a schedule of contributions including additional pension payments – added years, ARCs, APCs, and AVCs - by the target date, and/or not in the correct format stipulated by the Fund, could result in additional administration costs being levied against you***.**
IMPORTANT NOTE **Late payment of pension contributions** by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction. Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions. **Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer**	
Changes to employer contribution rates (as instructed by the Fund) *Note - Employer contributions are expressed as a percentage of pensionable pay, and are payable at such rate(s) as may be advised by London Borough of Hackney Pension Fund following the completion of each triennial actuarial valuation of the pension fund, or otherwise.*	At date specified on the actuarial advice received by the Fund.

Task/Function	Performance Target
Year end Reports Required by the Fund **in the format stipulated** to your nominated representative in March each year.	Provide to the Administrators **by 30 April** following the year end.
Additional Data & Information Requests May be requested by the Fund for the production of the annual benefit statements in each year	Respond to the Fund/administrators within **10 working days** of receipt of the request from the Fund
Data Errors Following validation by the Fund, errors may be found in the contribution and/or year end information - corrective action may need to be taken promptly.	Respond fully to the Fund/administrators **within 10 working days** of receipt of the request from the Fund
Auto-enrolment – monthly assessment Ensure that any staff who are not already scheme members are assessed according to their age and earnings.	Assessment to be made according to pay periods (e.g. staff paid monthly should be monitored on a monthly basis)
Auto-enrolment within statutory deadlines Ensure that any staff who are not scheme members and become an Eligible Jobholder and none of the statutory exceptions apply, are enrolled into the LGPS.	With effect from the employee's auto-enrolment date Employers must provide the Fund/Administrators with their **monthly AE reports 1 month** following the month of enrolment
Auto-enrolment communications Where employers are providing their own Automatic Enrolment communications, they must ensure that any staff affected by AE (including new starters) are provided with the necessary AE information within statutory deadlines	Within **6 weeks** of the date they become eligible for automatic enrolment
Auto-enrolment communications – if provided by the Fund Where auto-enrolment (AE) communications are provided by the Fund	Employers must provide the Fund with their monthly AE reports within **5 working days** of your own payroll date

Task/Function	Performance Target
Contracting out services Involving a **TUPE transfer** of staff to another organisation.	Contact the Fund at the very beginning of the tender process so that important pension information can be provided for inclusion in the tender documentation.
Admission Agreements To be put in place for new employers admitted to the Fund following the when contracting out a service	Provide to new Employers within **3 months** of joining the scheme
Pension information Provided by the Fund is to be distributed to scheme members/potential scheme members	Provide to members within **15 working days** of receipt of the information or on the member joining the scheme
Starter form and a Member Scheme Guide Provided to new/prospective scheme or refer them to the Fund website.	Provide to member within **5 working days** of commencement of employment or change in contractual conditions.
Additional fund payments In relation to early payment of benefits where a strain cost applies	Paid within **30 working days** of receipt of invoice from the Fund.
Additional administration costs Paid to the Fund associated with the poor performance of the scheme employer.	Paid within **30 working days** of receipt of invoice from the Fund.

Scheme Administration - Forms

This section details the **employer responsibilities** and tasks which relate to member benefits from the Scheme.

Task/Function	Performance Target
Contractual Enrolment To ensure that **all** employees are brought in to the Scheme from their employment start date.	

Starter forms Complete a starter form for each new employee admitted to the pension scheme and ensure that the employee completes their element of the process. **More than one contract of employment** Each contract must have its own starter form as each employment and pension membership must be maintained separately under the Regulations.	Provide Administrators with copy of the **Starter form(s)** within **15 working days** of the employee's employment start date
Employee contribution rate Applied in accordance with the LGPS contribution bandings based on actual pensionable pay – including overtime/bonuses etc.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Main Scheme or 50/50 Scheme contributions To apply the correct employee contribution rate according to actual pensionable pay of the member & in accordance to rates for main scheme or 50/50 To reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the employee of their change in rate.	Review as per employer's own **Employee Contribution Policy** and effect a change in rate if necessary – ie a move from the main scheme to the 50/50 section of the scheme, or vis-versa
Election to join 50/50 section Member election form completed & signed – move member to 50/50 scheme & amend employee contributions only **NOTE – Employer continues to pay FULL rate contributions** **OR** **Election to re-join Main scheme** Member election form completed & signed – move member to main scheme & amend employee contributions only	Reduce **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Election to join the 50/50 section form** within **1 month** following month of election Increase **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Re-join Main Scheme Election form** within **1 month** following month of election

<table>
<tr><th>Task/Function</th><th>Performance Target</th></tr>
<tr><td>Commencing Additional Pension Contributions - APC
After receipt of the completed & signed form from the member, commence deduction or amend such deductions, as appropriate.</td><td>Month following election to pay contributions or notification received from the Fund

Provide Administrators with copy of the APC agreement form within 1 month of first contribution paid.</td></tr>
<tr><td>Ceasing deduction of :-
Added Years Contracts
Additional Regular Contributions - ARC
Additional Pension Contributions - APC
After receipt of the completed and signed forms from the member</td><td>Immediately following receipt of election form from scheme member

Provide Administrators with copy of cessation form/notification within 1 month of ceased payments</td></tr>
<tr><td>AVC – Additional Voluntary Contributions
Arrange for the deduction of AVCs via your payroll provider and the payment over of contributions to the approved AVC provider(s)</td><td>Commence deduction of AVCs in month of the member’s election – provide Administrators with copy of AVC member form in the month of member’s election

Pay over contributions to the AVC provider(s) on/by the 19th of the month the deduction was made in</td></tr>
<tr><td colspan="2">IMPORTANT NOTE

Monthly AVC deductions should be paid directly to the AVC provider (Prudential) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach Prudential by the 19th day of the month following the month they were deducted.

Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions

Failure to do so is in breach of legislation and may be reported to the Pensions Regulator. Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer</td></tr>
<tr><td>Opt outs
Member to complete the appropriate form – employer to provide copy of the form to the Fund</td><td>To cease contributions the month following month of election, or such later date specified by the scheme member.

Provide copy of Opt out form to the Administrators within 1 month following month of election to opt out</td></tr>
</table>

Task/Function	Performance Target
Opt outs – within 3 months of start date Refund employee contributions via your own payroll - where the member has opted out of the Scheme within 3 months of joining.	Refund to be made in the month following the month of election to opt out. Refunds are to be included in the monthly contribution data to the Administrators
Contractual changes to conditions of service: ● contractual hours ● actual pay – including overtime ● remuneration changes due to promotion or re-grade ● honorariums	Provide copy of **Change of Details** form the Administrators within **20 working days** of change.
Changes in member's personal circumstances: ● marital or civil partnership status ● change of name ● national insurance number	Immediately inform the Administrators following notification by the scheme member of a change in circumstances
Assume Pensionable Pay – APP Periods of reduced pay or nil pay as a result of: ● sickness ● injury ● or relevant child related leave, includes – ordinary maternity, paternity or adoption leave; paid shared parental leave; any additional maternity or adoption leave Employer must apply **Assumed Pensionable Pay (APP)** for pension purposes. The employer contributions must be deducted against the amount of APP and employee contributions against any actual pay they receive.	Employers must notify the Administrators of the date the reduction is effective from for sickness or injury OR the date from which the relevant child related leave began. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date.

Task/Function	Performance Target
Periods of reduced pay or nil pay as a result of: ● unpaid additional maternity, paternity or adoption leave ● unpaid shared parental leave taken at the end of the relevant child related leave.	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Periods of reduced pay or nil pay as a result of: ● authorised/unauthorised unpaid leave of absence (sabbatical etc) ● industrial action	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Leavers – leaving your employment The leaver form must include an accurate assessment of their final pay.	Provide the Administrators with a completed **leaver form** within **15 working days** of month end of leaving. Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Retiring – normal retirement from your employment The leaver form must including an accurate assessment of their final pay. You must also provide the authorisation form, stating the reason for retirement, signed by the employer as agreement to meet any associated costs with the retirement.	Provide the leaver form to the Administrators within 15 working days **before** the member retires Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Death of a scheme member OR **Member is suffering from a potentially terminal illness**	Notify the Administrators who will then ensure next of kin details are held and any benefits due are paid in accordance with the members' wishes, if appropriate As soon as practicable, but **within 5 working days** of members death

Task/Function	Performance Target
Ill Health Retirement applications Employer to appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications	Notify the Administrators **within 1month** of commencing participation in the scheme, or date of resignation of existing medical adviser
Ill Health Retirement decisions The Employer must determine, based on medical opinion from your IRMP (and assistance from the Administering Authority, if required), whether ill health retirement benefits are to be awarded **and** to determine which tier of benefits are to be awarded e.g. Tier 1, 2 or 3.	To make the decision **within 1 month** of receipt of the IRMP report Provide the Administrators with the **ill health retirement declaration form & completed leaver form** with **5 working days** of the employers final determination and agreed last day of service for the member *Refer to – ill health retirements & tier 3 awards – if you require any assistance*
Ill Health Retirements – Tier 3 awards Employers must keep a record of all Tier 3 ill health retirements, & undertake a review once the pension has been in payment for 18mths to assess if the former employee is gainfully employed & payments are to cease **and** to arrange subsequent appointments with the IRMP to assess whether an increase in benefits is applicable.	Notify the Administrators within **5 working days** of the review being completed in accordance with the LGPS regulations, by providing all necessary paperwork for the Administrators to either continue or cease payments, or to increase the level of benefits to be paid. *Refer to – ill health retirements & tier 3 awards – if you require any assistance*

Important Note:

The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used.

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

MONITORING PERFORMANCE AND COMPLIANCE

Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Fund **and** Scheme Employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy.

This section describes the ways in which performance and compliance will be monitored.

The Pension Board, the National Scheme Advisory Board & the Pensions Regulator (tPR)

The Public Service Pensions Act 2013 established the requirement for local Pension Boards in the LGPS with responsibility for assisting the Administering Authority in relation to the following:

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

As a result, the Local Pension Board of the London Borough of Hackney Pension Fund was established from 1 April 2015. A key aim of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and scheme employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator. Any recommendations made by any of these entities will be considered by the Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

Audit

The Fund is subject to an annual external audit of the accounts and, by extension the processes employed in calculating the figures for the accounts, by KPMG. The key findings of their work are presented to the Pensions Committee in an Annual Governance Report and the Fund is set an action plan of recommendations to implement.

In addition the Fund is subject to internal audits by the Council of its processes and internal controls. Any subsequent recommendations made are considered by the Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The Fund monitors Equiniti's performance against the agreed contract and Service Level Agreements (SLAs). Monthly Service Review Meetings (SRM) are held were work received/completed and SLAs are discussed and Equiniti are asked to explain any variations from the SLAs and Key Performance Indicators (KPIs).

Measuring the Fund against the administration objectives

Objectives	Measurements
Deliver an efficient, quality and value for money service to its scheme employers and scheme members	Service standards achieved in 95% of cases (100% for legal requirements) Customer Satisfaction Surveys with scheme employers and scheme members achieving 95% of scores in positive responses in these areas Positive scheme employer feedback with minimal or no employer complaints Positive scheme member feedback with minimal or no member complaints
Improving the delivery of services, enhanced security and interaction with scheme employers, by greater use of technology and partnership working.	Use of Employer Self Service (ESS) as a default, (100% of employers using the data portal), unless valid reasons not to do so (and have been agreed by the Fund) Positive scheme employer feedback with minimal or no employer complaints No breaches of data security protocols
Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner	Positive results in internal and external audits and other means of oversight/scrutiny. Performance target achieved for collection of contributions by 19th day of the month following the deduction Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints

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	Customer Satisfaction Surveys with scheme employers achieving 95% of scores in positive responses in these areas Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan Notify scheme employers of changes to the scheme rules within 2 months of change Offer/organise training sessions for new scheme employers and relevant new staff in scheme employers within 2 weeks of new employer/staff starting Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident Employer responsibilities in relation to administration are regularly communicated to employers
Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner	No breaches of data security protocols Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months Data improvement plan in place with ongoing evidence of delivered agreed improvements Positive results in audit and other means of oversight/scrutiny
Set out clear roles and responsibilities for the Fund and Equiniti and work together to provide a seamless service to Scheme employers and scheme members	Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets The Fund specifies clear service standards with Equiniti

Continuously review and improve the services provided	Achieve continual improvement in member engagement with our online tools Monitoring of the performance standards used to inform the service going forward Use feedback from scheme employers on the service to develop plans Fund work with Equiniti on programme of continuous improvement to the service

Key Risks

The key risks to the delivery of this Strategy are outlined below. Fund officers will work with the Pensions Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Significant external factors, such as national change, impacting on workload
- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members
- Inadequate performance of Equiniti against service standards
- Increase in the number of employing bodies causes strain on day to day delivery
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment
- Failure to administer the scheme in line with regulations. This may relate to delays in enhancement to software or regulation guidance
- Failure to maintain records adequately resulting in inaccurate data
- Unable to deliver an efficient service to pension members due to system unavailability or failure.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this Administration Strategy should email comments to the following address: pensions@hackney.gov.uk . This will be acknowledged within 5 working days and an investigation of the matter will then be undertaken. Following the investigation, a response will be provided to the scheme employer within 15 working days of the initial acknowledgment.

Annual report on the strategy

The Scheme regulations require the Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. This report details the performance of the pension administrators and the Fund's Employers. It is presented to Pensions Committee, Pensions Board and is included within the Pension Fund Annual Report and Accounts.

ROLE OF THE PENSIONS REGULATOR (tPR)

Background

Section 17 and Schedule 4 of the Public Service Pensions Act 2013 extended the role of the Pensions Regulator to include public sector pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015. With regard to the LGPS, the Pensions Regulator now has responsibilities in relation to governance and particularly administration.

Schedule 4 of the Public Service Pensions Act 2013 requires the Pensions Regulator to issue a Code of Practice or Codes of Practice in respect of certain specified matters. In response to this requirement, the Pensions Regulator Code of Practice No 14 ***"Governance and administration of public service pension schemes"*** which came into effect from 1 April 2015.

This Code of Practice is applicable both to the Pension Fund and the individual Employers within the Fund.

Code of Practice No 14

Governance and Administration of Public Service Pension Schemes

Code of Practice No 14 covers the following:-

Governing your scheme

Knowledge and understanding required by pension board members
Conflicts of interest and representation
Publishing information about schemes

Managing risks

Internal Controls

Administration

Scheme record-keeping
Maintaining contributions
Providing information to members

Resolving issues

Internal dispute resolution
Reporting breaches of the law

It is crucial that all Employers within the London Borough of Hackney Pension Fund are aware of, and comply with, the legal requirements and standards covered in the Code.

Failures by an Employer to fulfil legal requirements and follow the expected standards within the Code may result in that Employer (rather than the Pension Fund) being subject to legal enforcement action by the Pensions Regulator.

Sections that have particular relevance for Employers in the Fund are Administration and Resolving Issues

Administration

Scheme record-keeping

Key points

- The Scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this.

- The Scheme should work with participating employers to seek to ensure they understand the key events and information they need to provide, and have processes in place to provide timely and accurate data.

- If an employer fails to provide the required information (meaning that they and/or the Scheme Manager may not be complying with legal requirements), the Scheme should consider whether to report the breach to the Pensions Regulator (tPR).

Schemes require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:

- joins or leaves the scheme
- changes their rate of contributions
- changes their name, address or salary
- changes their member status, and
- transfers employment between scheme employers.

If any Employer fails persistently to act according to the procedures set out in this Pension Administration Strategy, meaning that they and/or the Fund may not be complying with legal requirements, the Fund will assess whether there has been a relevant breach and take action as necessary to report breaches of the law to the Regulator under Section 70 of the Pensions Act 2004.

Maintaining contributions

Reporting payment failures

The Scheme must report payment failures that are likely to be of 'material significance' to the Pensions Regulator (tPR) as soon as possible – usually within 10 working days.

A late payment is likely to be of material significance where it was caused by:

- the employer not being willing or able to pay contributions
- possible dishonesty or misuse of assets or contributions
- fraudulent evasion of the duty to pay contributions
- the employer having inadequate procedures or systems in place to ensure the correct and timely payment of contributions due, for example where there are repetitive and regular payment failures,
- contributions having been outstanding for more than 90 days

If any Employer has 3 repetitive or regular payment failures in any one financial year, the Fund will deem this as being of *'material significance'* and in-line with its legal responsibilities, report this to the Pensions Regulator (tPR), immediately following the third failure. The Employer may then be subject to legal enforcement action by the Pensions Regulator.

Resolving issues

Internal dispute resolution (IDRP)

Where a person with an interest in the scheme isn't satisfied with any matter relating to the scheme, they have the right to ask for that matter to be reviewed.

A person has an interest in the scheme if they:

- are a member or surviving non-dependant beneficiary of a deceased member of the scheme
- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme
- are a prospective member of the scheme
- have ceased to be a member, beneficiary or prospective member or
- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website: www.hackneypension.co.uk

All Scheme employers are required to nominate a Stage 1 Adjudicator to deal with disputes at Stage 1 of the process. Scheme employers are asked to supply the details of their Stage 1 Adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is in dispute with a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter internally and may seek an independent senior mediator from within London Borough of Hackney as the Administering Authority to make a final determination. Should this prove to be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of the matter.

POLICY ON THE RECOVERY OF ADDITIONAL ADMINISTRATION COSTS FROM EMPLOYERS

The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the unsatisfactory level of performance of that Scheme Employer.

Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the Scheme Employer's unsatisfactory level of performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer (including the Council) or third party service provider. This includes the payment of fees levied against the scheme employer.

The circumstances where such additional costs will be recovered from the scheme employer are:

- persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or accuracy/quality of information)

- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy

- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales

- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator (tPR), Pensions Ombudsman or other regulatory body.

For the avoidance of doubt, “accuracy/quality” in this Strategy is defined as when we have received a completed form, or transfer of information, with no gaps in mandatory areas and with no information which is either contradictory or which we need to query.

Approach to be taken by the Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of unsatisfactory performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a scheme employer would be seen as a failure and will only be taken once the steps described below are taken to resolve the situation:

1. Write to the scheme employer, setting out area(s) of concern and offer training.
2. If no improvement is seen within one month of the training or no response is received to the initial letter, the scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of concern and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.
5. An annual report will be presented to the Pensions Committee meeting detailing any fees levied against scheme employers and outstanding payments.

Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each task is referenced to the Employer Responsibilities section. Charging is a last resort and the approach outlined above will be followed before a fee is levied.

Employer Responsibility	Additional Administration Charge
Monthly Contributions Payment Late payment of employee and employer contributions to the administrators by the 19th calendar day of month following deduction (must be cleared funds by/on 19th of the month)	£65 plus interest*, calculated on a daily basis until contributions received. *Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus 1%.*

Employer Responsibility	Additional Administration Charge
Monthly Contributions Schedule (HK221) Non-provision of the correct schedule of payments and/or not in the format stipulated by the Fund, accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
NOTE - Any fines imposed on the Fund by the Pensions Regulator, in relation to employer, employee and AVC contributions which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount to be paid within 30 days of receipt
Change Notifications failure to notify the administrators of any change to a members - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	£65 per form, per occasion
Year End Data Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing *For the avoidance of doubt **"accuracy/quality"** in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is*	Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor

either contradictory or which we need to query	
Employer Responsibility	**Additional Administration Charge**
New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Automatic Enrolment (AE) Failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - within 6 weeks of the date they become eligible for automatic enrolment **NOTE** - Any fines imposed on the Fund by the Pensions Regulator due to failure to provided information for Auto enrolment process, which is deemed to be the fault of the Employer, will be passed on to that Employer	Initial fee of £100 then a fee of £50 for every month the information remains outstanding Re-charge amount to be paid within 30 days of receipt
Leaver(s) Failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Retirees Failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding

Employer Responsibility	**Additional Administration Charge**
Late payment of pension benefits As a result of the **employers failure** to notify the administrators of a scheme members retirement & not providing the correct paperwork, interest becomes payable on any lump sum paid. The administrators will recharge the total amount of interest paid back to the employer	Calculation will be provided – payment due is as invoiced within 30 days of receipt of invoice

Important Note:

The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

EMPLOYER CONTRIBUTION RATES / ADDITIONAL EMPLOYER ASSISTANCE & ASSOCIATED COSTS

Employers Contribution Rates

Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

The London Borough of Hackney has an actuarial valuation undertaken every 3 years by the Fund's actuary. The actuary balances the fund’s assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent 3 years.

Additional Employer Assistance & Associated Costs

The cost of running the London Borough of Hackney Pension Fund is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

The following tasks will be undertaken by the Administering Authority, but are recharged back to the letting department/directorate or school:-

Function/Task	Description & Associated cost
FRS102 – for company Report & Accounts	Provision of data required for FRS102 calculations to the Actuary, plus any chargeable Actuary time Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced
Admission Agreements – when contracting out services e.g .cleaning, catering, security provision – involving TUPE of existing staff	Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required
Cessation Valuations (upon service contract ending) Interim Valuations (either during or prior to the service contract ceasing)	Provision of data required for interim and/provision of data required for interim and/or cessation valuations Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Academy Conversions – schools converting to Academy status	Any work related to this requiring input from the Administering Authority Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Legal Work & non-standard actuarial work	Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE & future pension provision etc. Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced

If an employer wishes the *London Borough of Hackney to carry out work not attributable to pension's administration they will be charged directly for the cost of that work.

The following functions have been designated Employer Functions – this means that they are outside of the normal scope of pension administration responsibilities for the Fund, but the Administering Authority is willing to assist employers with these services.

They will be subject to a charge depending on the level of work required and whether external suppliers have to be engaged such as the Fund's Actuary, Occupational Health, etc.

Function/Task	Description & Associated cost
*Redundancy & Severance calculations (excluding/including pension calculation) *Efficiency Retirements *Flexible Retirements	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions Cost – 1 estimate per employee, per rolling 12 month period is provided free of charge. Subsequent requests from the employer due to a change of circumstance (e.g. last day of service, change of earnings) will be charged at £50 per case
Ill health retirements & Tier 3 awards.	Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, and provide support at the IHRP meetings to determine cessation of benefits or a potential uplift in benefits Cost – as charged by the Occupational Health Service used for each case
Injury payments	Calculation and payment of injury awards Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced

* the Administering Authority's (LB Hackney) Pensions Team, upon receipt of **accurate information** on the **appropriate estimate request form** in relation to an active member, or employee not in the LGPS, retiring due to age, redundancy, efficiency or flexible retirement, can provide 1 free estimate per member/employee, per 12 month rolling period.

Estimates are normally returned to the requesting employer within 20-30 working days of the receipt of the request – timeframe is dependent on checking employee employment/pension records, complexity of each case and the number of requests received at any one time.

SERVICE AND COMMUNICATION IMPROVEMENT PLANNING

As set out earlier in this Administration Strategy, the Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service. Communication between the Fund and scheme employers is key to providing the service and is therefore an important aspect of service improvement planning.

Equiniti and the administering authority's in-house pension team work together on a programme of continuous improvement to the service.

The monitoring of the performance standards set out in this document will inform the programme going forward and feedback from scheme employers on the service and the way in which the Fund communicates is welcomed in developing plans. Feedback should be e-mailed to: pensions@hackney.gov.uk.

The Fund will take responsibility for improving the service and determining the balance between implementing service improvements and the goal of providing a value for money service for the Fund.

Employers will be informed of any changes to the service provision which affect the way they interact with the Fund.

Important Note:
The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund has consulted with all the scheme employers with active contributors in the Fund. The Strategy will be reviewed every 3 years, or more frequently if there are changes to the Scheme regulations or requirements.

All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website www.hackneypension.co.uk

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i)the setting of performance targets,

(ii)the making of agreements about levels of performance and associated matters, or

(iii)such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f)the publication by the administering authority of annual reports dealing with—

(i)the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii)such other matters arising from its pension administration strategy as it considers appropriate; and

(g)such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a)keep its pension administration strategy under review; and

(b)make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a)its pension administration strategy; and

(b)where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995**(41)**; and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)**(42)**.

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16(additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) can not be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Contact Details

For further information on pension issues please contact:

Financial Services
Finance and Corporate Resources Directorate
4th Floor, Hackney Service Centre
1 Hillman Street
London
E8 1DY

Email: pensions@hackney.gov.uk
Telephone: 020 8356 2521

For further information on investment issues please contact:

Financial Services
Finance and Corporate Resources Directorate
4th Floor, Hackney Service Centre
1 Hillman Street
London
E8 1DY

Email: pension.investments@hackney.gov.uk
Telephone: 020 8356 2630

For pension benefit and administration issues please contact:

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

Email: hackney.pensions@equiniti.com
Telephone: 012 9360 3085