

Title of Report	High Level Monitoring Report
For Consideration By	Pensions Committee
Meeting Date	20 September 2023
Classification	Public
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Jackie Moylan - Interim Group Director, Finance

1. **Introduction**

- 1.1. This report is a high level update on key strategic Pension Fund matters, including progress against the Business Plan, Strategic Objectives Scorecard and Risk Register. It also includes breaches of the law. It provides the Committee with latest information on the position of the Fund since that reported at the last Committee. An overview of each area is given in the main body of the report and further detail can be found in the appendices.

2. **Recommendations**

2.1. **The Pensions Committee is recommended to consider and note:**

- **the progress against the Business Plan tasks and actions, and agreed Budget**
- **the current measures on the Strategic Objectives Scorecard**
- **the Risk Register and the risks identified**
- **the Breaches Register.**

3. **Related Decisions**

- 3.1. Pensions Committee 14 June 2023 – Business Plan, plus various previous policies and strategies agreed at Pensions Committees.

4. **Comments of the Interim Group Director, Finance**

- 4.1. The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.8 billion worth of assets and for ensuring the effective and efficient running of the Fund for around 26,000 scheme members and over 40 employers.
- 4.2. The three-year business plan and associated budget progress report, strategic objectives scorecard, risk register and breaches register help

ensure that the Committee is able to plan and understand the financial decisions required over the coming years, to monitor progress against strategic objectives, manage risks and consider breaches of the law. The decisions taken by the Committee impact directly on the financial standing of the Fund and can affect its ability to meet its liabilities. Ensuring prudent financial management helps to improve the overall financial position of the Fund, potentially impacting on the contribution rates payable by participating employers.

5. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. These include:
- 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.
 - To act as Scheme Manager for the Pension Fund.
 - 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.
 - To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
- 5.2. In carrying out its delegated functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme (LGPS) Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Those obligations include producing and maintaining various policies and strategies, calculating and paying pension benefits, complying with various statutory deadlines and investing the fund's assets.
- 5.3. It is sensible against this background, and consistent with good administration and governance, to set out and monitor progress against a three-year business plan, measure progress against strategic objectives, manage risks, consider breaches and schedule the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.

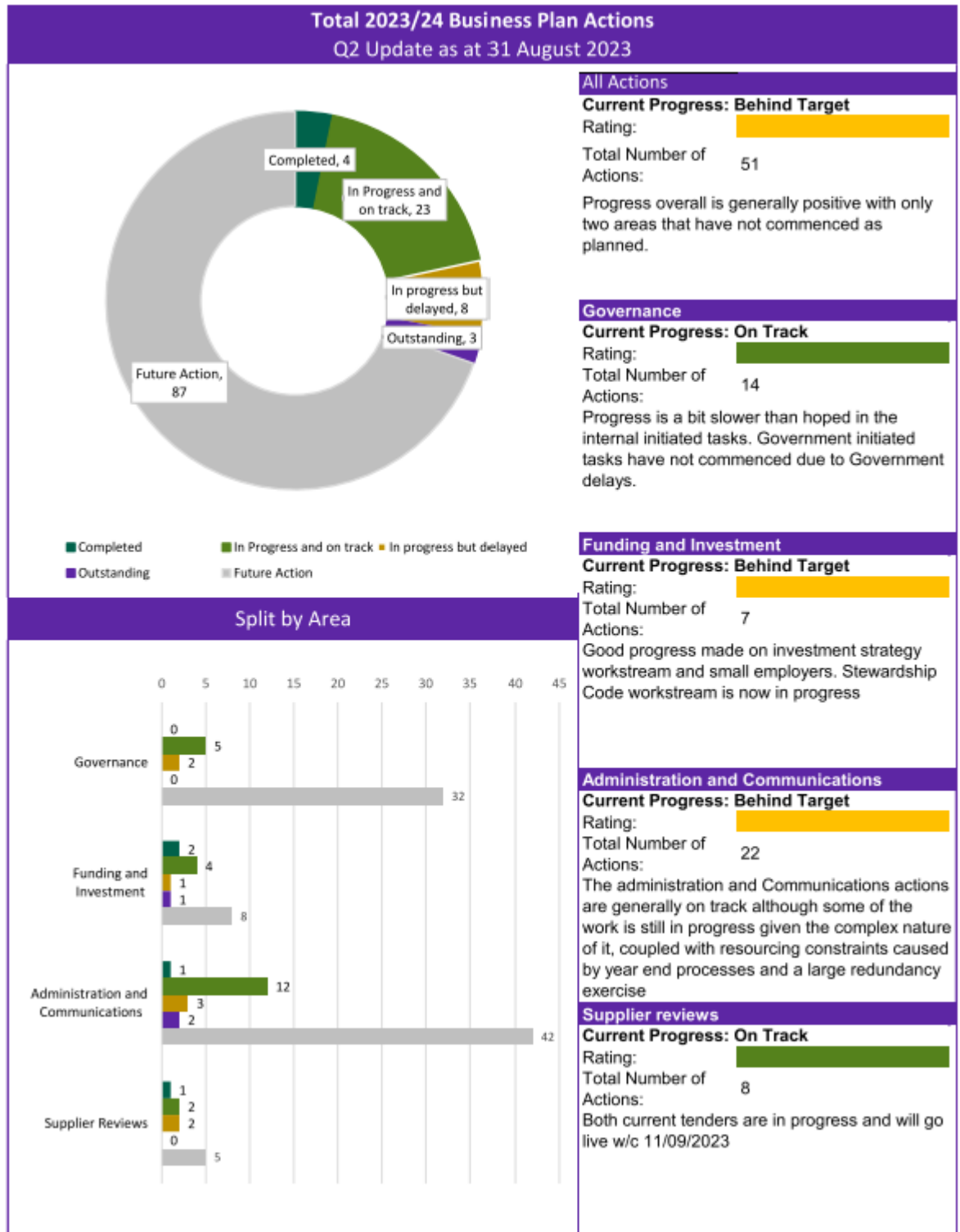
6. **Business Plan Progress Update**

6.1. Key actions and tasks

A summary of progress overall and in each of "Governance", "Funding and

Investments”, “Administration and Communication” and “Supplier Reviews” is shown below. The information for all sections covers the period to 31st August 2023.

Appendix 1 to this report, the “Business Plan Progress Update” provides details of each key action/task.



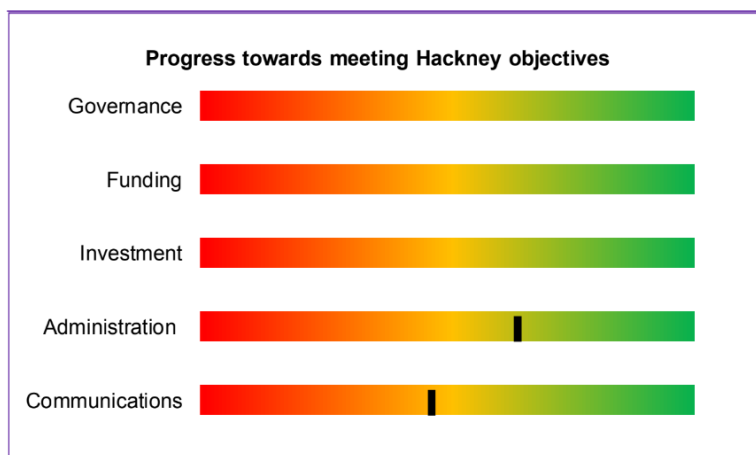
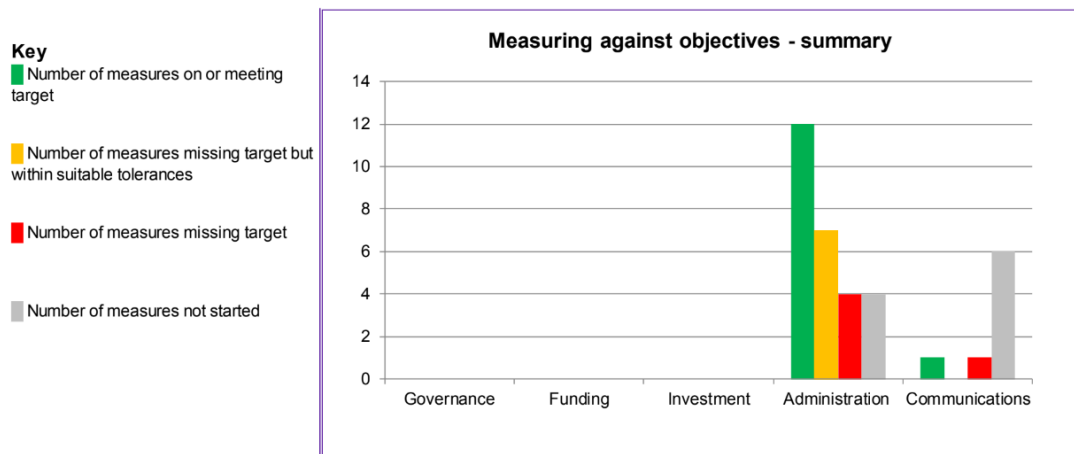
6.2. An updated forecast against budget will be provided at the next Committee meeting once standard accounting processes have been completed following the recent Custody transition.

7. Strategic Objectives Scorecard

7.1. The Strategic Objectives Scorecard currently includes Administration and Communications only but will be extended to include Governance, Funding and Investment in future.

7.2. The graphic below summarises progress towards meeting objectives for both administration and communications.

7.3. A review has been carried out on some of the objectives scoring mechanism in order to better reflect the overall status when making the assessment. Therefore some of the statuses that have yet to be started/no data yet to analyse have moved from a red status to a grey status.



7.4. The appendix “Strategic Objectives Scorecard” sets out information relating to each specific measure showing:

- the current position

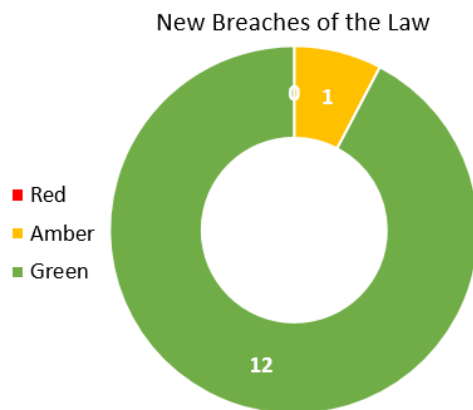
- the frequency of the measure
- a comparison of the current position against the previous report (this is the first report so this will be shown from the next committee meeting onwards).

8. **RISK REGISTER**

- 8.1. The Fund's risks are shown in the appendix "Risk Register".
- 8.2. The Risk Register's All Fund Risk Heat Map provides an overview of the risks and how they have moved since the last review of the register. The colour within each number's box also indicates the target for that risk. There are three detailed Risk Registers (Governance, Funding and Investment, and Administration and Communications) which detail the individual risks.
- 8.3. The areas currently categorised as high risk where the target is amber or green are:
- Potential financial/data loss or systems downtime due to cybercrime (governance risk 10) - this is high risk due to increased threat, mitigations being put in place include development of an incidence response plan and supplier resilience checks.
 - The increase in inflation which can erode asset values causing cashflow issues (funding and investment risk 7). This is classified as high risk given the exceptionally high inflation figures over the past year - it is expected that this will reduce in the medium term. Mitigations in being put in place to deal with the cashflow impacts include implementation of the investment strategy changes agreed by the Committee in March 2023.
 - Poor delivery of administration contract resulting in poor member experience and potential breaches of legislation/failure to meet SLA's (administration risk 1). This is high risk due to difficulties in implementation of the new contract with Equiniti - mitigation includes regular service review and review of performance against KPIs, and early identification of issues.
 - The impact of the McCloud remedy on the quality and timeliness of the administration of the Fund (administration risk 7). This is classified as high risk due to resourcing and software issues. Mitigation includes dedicated project management from Aon and regular review with Equiniti to monitor progress.
 - Service Interruption due to the administration system software upgrade which may impact the ability to effectively administer benefits to members (administration risk 9). This risk has arisen due to the Compendia touch migration - mitigation to be put in place includes robust project management of the transition.

9. **BREACHES OF THE LAW**

9.1. The breaches register as at 31 August 2023 is attached as appendix “Breaches Register” to this report. There were thirteen breaches identified since the 1 June 2023, relating to late contributions, late remittance advice, non-issuing of some Annual Benefit Statements (ABSs), and breaches of disclosure legislation. Twelve are rated green and one is rated amber. Generally, only breaches rated red might be of material significance to the Pensions Regulator and hence reportable albeit they are considered on their individual merits.



9.2. The new amber breach relates to not all ABSs having been issued by the 31 August legal deadline. Investigative work is currently ongoing between Fund Officers and Equiniti to identify the exact number of members (active and deferreds) this issue affects, and these members will be issued a statement as soon as possible. Consideration will then be given to the significance of the breach and whether this is deemed to be material and therefore requires reporting to the Pensions Regulator. A further update on this will be provided at the next Committee meeting.

9.3. The existing unresolved red breach relates to two vacant scheme member representative members on the Pension Board. Application forms have now been received and will be considered by the Appointments Panel. Given the Board hasn't met since September 2022 and the next meeting will be held in November, this breach is being reported to The Pension Regulator.

9.4. Due to the transition to the new contract with Equiniti, a full suite of information relating to breaches relating to late disclosure of information to scheme members (for example, retirements not being finalised within legal deadlines or new members not receiving scheme information within legal deadlines) is not yet available. However, in their monthly client reports, Equiniti have provided some information on disclosure breaches relating to leavers and new joiners and these have therefore been included in the register (breaches 16 and 17 as shown in the appendix).

9.5. It is hoped that further information on disclosure breaches will be available for the next Committee meeting. It is worth noting that such delays can be

for various reasons, including the employer failing to provide information to Equiniti in good time, a scheme member not responding quickly with requested information or Equiniti being slower in their processes than is required.

- 9.6. As at the end of the period being reported, four breaches remain unresolved. These are the breaches relating to the Pensions Board and Annual Benefit Statements (discussed in paragraph 1.2) and the other two breaches relate to the non-receipt of contribution remittances from a new employer to the fund. In all cases work is ongoing to resolve these breaches as soon as possible.

Appendices

- Appendix 1 - Business Plan Progress Update
- Appendix 2 - Strategic Objectives Scorecard
- Appendix 3 - Risk Register
- Appendix 4 - Breaches Register

Background documents

None

Report Author	Name: Rachel Cowburn Title: Head of Pensions Email: rachel.cowburn@hackney.gov.uk Tel: 020 8356 2630
Comments for the Interim Group Director of Finance prepared by	Name: Jackie Moylan Title: Group Director, Finance Email: jackie.moylan@hackney.gov.uk Tel: 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369