Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	20 September 2023
Classification	Public (Exempt Appendices)
Ward(s) Affected	All
Group Director	Jackie Moylan - Interim Group Director, Finance

1. Introduction

1.1. This report is an update on performance across the following key areas since the last meeting:

- Governance
- Funding and any changes in participating employers
- Investment, including an update on the London CIV and implementation of the Fund's Responsible Investment policy
- Pension administration and communications update

It provides the Committee with the most recent information on the position of the Fund. Funding and investment information is provided for Q1 2023/24 as this is the most recent available. Information on Governance and Pensions administration is available up to 31st August 2023.

2. Recommendations

2.1. The Pensions Committee is recommended to note the report.

3. Related Decisions

3.1. Various previous policies and strategies agreed at Pensions Committees.

4. Comments of the Interim Group Director of Finance.

4.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Whilst there are no direct impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

4.2. The report includes monitoring the performance of the Fund's investment managers which is essential to ensure that managers are achieving performance against set benchmarks and targets. The investment performance of the Fund, together with change in the liabilities (as set out in the quarterly funding updates) are key factors in the actuarial valuation process and therefore directly impact on the contributions that the employers are required to make into the Pension Fund.

4.3. Monitoring of key administration, communication and governance targets ensures that the Fund monies are being used appropriately including ensuring that the Fund is achieving value for money.

5. <u>Comments of the Acting Director of Legal, Democratic and Electoral Services</u>

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension Fund, as reflected in the Committee's Terms of Reference. The Committee has delegated responsibility:

- 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.

5.2. Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding, investment matters, scheme administration, communication and governance.

6. <u>Governance Update</u>

6.1. Governance strategy and policy reviews

No current updates to main strategies and policies.

6.2. Other Hackney Pension Fund governance matters

Changes to the Pensions Committee, Pensions Board and Senior Officers since the last report:

- Pensions Board - Pensions Board - Pradeep Waddon (Hackney Council) and Rebecca Datta (Primary Advantage Federation) have been appointed to the Pensions Board. 2 scheme member representatives are due to be appointed imminently.
- Senior Officers – Jackie Moylan has been appointed as Group Director,

Finance on an interim basis. Since the previous report, Mark Carroll has departed as Chief Executive; his role has been filled by Dawn Carter-McDonald on an interim basis.

Changes in staffing/resourcing - The following key pension team staff and supplier changes occurred since the last report:

- Staff Joiners: None
- Staff Leavers: None
- Supplier update: Northern Trust commenced as Custodian on 1st September 2023, replacing HSBC.

6.3. *Knowledge and Skills Policy implementation*

The following training has taken place since the last report.

- The Pensions Committee undertook training in Nature-based solutions on 7 June 2023 and which provided an introduction to Nature-based solutions as an asset class.
- Jonathan Malins-Smith attended the LGC Investment & Pensions Summit from 6-8 September 2023.
- Jonathan Malins-Smith attended the PLSA LGPS Conference from 26-28 June

Upcoming training includes:

- Local Investment 26 October 2023 – this is essential for all Committee members
- Administration Service 16 November 2023– this is essential for all Committee members

6.4. Cyber Security

Cyber threats continue to be a major risk for organisations and are increasingly being recognised as a threat to pension schemes. In its guidance issued in April 2018 and in the draft new Code of Practice, the Pensions Regulator (TPR) explains that pension schemes should take appropriate measures to protect against this risk, including assuring themselves that all third-party providers have put sufficient controls in place in relation to cyber security. The Fund has an ongoing programme of work to ensure it is managing its cyber risk. The current key areas of focus include:

- A Fund specific Incident Response Plan is currently being drafted which will dovetail with the Council's Business Continuity Plan. This will provide a set of guidelines for the effective management of a cyber related incident.

- Cyber induction training for all newer Pension Committee and Board members is due to take place later this year as part of the Fund's training requirements set out in its Knowledge and Skills policy.

- The next supplier assessments to assess cyber resilience, which will be carried out during quarter three and four will be in relation to Hymans Robertson as Fund actuary, the London CIV as the Fund's asset pool and Northern Trust as its custodian.

There have been no new cyber security related incidents since the last meeting

6.5. **Other governance related developments and news**

Scheme Advisory Board (SAB) update

The SAB met virtually on 17 July 2023. At the time of writing the summary note of the meeting had not been published; in due course it will be found here: https://www.lgpsboard.org/index.php/about-the-board/board-updates. Some of the agenda items have been published and can be found here – https://www.lgpsboard.org/index.php/about-the-board/prev-meetings.The main areas covered in the meeting were:

- A consultations update
- Cost Control Mechanisms
- Board budget and terms of reference

The SAB Annual Report working group has been reviewing the 2019 CIPFA "Preparing the Annual Report" guidance and has identified several areas within the current guidance which now require updating and clarification.

6.6. **TPR Annual report and accounts for 2022/23**

On 13 July 2023, TPR published its Annual report and accounts for 2022/23. These can be found at the following link https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/annual-reports

6.7. **Procurement**

Officers of the Fund are currently undertaking the tendering process for the Fund's Actuarial Services contract and Benefits and Governance contract. These procurements have been slightly delayed, and it is now anticipated that they will run concurrently during the autumn, with the Invitation to Tender (ITT) due to be issued in mid September 2023.

Interviews with the Pensions Committee for the highest placed suppliers after scoring of the ITT are due to take place on 8th November, with the final decision being taken at the Pensions Committee on 28 November 2023.

These contracts have been extended to 31 December 2023; no further extensions are required.

7. Funding Update

7.1 Funding strategy and policy reviews

The new Small Employers Admission Policy has been brought to Committee for review and initial approval ahead of a period of employer consultation. The Policy is due for final approval in November 2023.

7.2 Other Hackney Pension Fund funding matters

Appendix 1 to this report provides the funding update to 30 June 2023 from the Fund's Actuary, Hymans Robertson. The key statistics are as follows:

	31/3/2022 (last valuation date)	31/3/20223 (last quarter)	30/6/20223 (most recent quarter)
Funding level (assets / liabilities)	106%	126%	138%
Surplus/(deficit)	£100M	£390M	£520M

7.3 The results shown above are estimates based on rolling forward the fund's funding position from 31 March 2022, allowing for market conditions but not for the effect of changes in the membership profile since 31 March 2022. The key driver of the changes since March 2022 have been movements in gilt yields, which have increased since the valuation. Whilst asset values have reduced since the valuation date, the drop in liability values as a result of rising gilt yields has more than compensated, resulting in an increase in the estimated funding level.

7.4 Changes to participating employers: The following changes occurred during the quarter:

- New Employers to the Fund –
  - Community Schools Trust (01/09/2023)
  - Skinners Academies Trust (01/09/2023)
  - Olive Dining - Millfields (01/09/2023)
  - Harrison Catering Services - Mossbourne (01/09/2023)
  - CleanTec Services - Shoreditch Park (20/08/2023)

- Employers leaving the Fund – N/A

- Other employer matters – N/A

7.5 **Other funding related developments and news**

Scheme Valuation Report
In August the Scheme Advisory Board published a detailed report pulling together data from all of the 2022 local fund valuation reports. The report provides information about a range of issues for scheme members, employers and other stakeholders. It shows that:

- The average funding level has improved from 98% in 2019 to 107% at 2022 (on local funding bases), with all Funds reporting an improvement in their position since 2019. Hackney has reported an increase from 92% to 106%.
- Average contribution rates to meet future service costs rose from 18.6% of payroll at 2019 to 19.8% of payroll at 2022. Hackney's future service cost is 20.1%.
- Overall, contribution rates fell – reflecting lower deficit contributions – to 21.1% of payroll at 2022 from 22.9% of payroll at 2019. Hackney's contribActuary'sution rate also fell, from 30% to 27% for the Council.
- Employee contributions increased marginally from 6.5% of pay to 6.6%

The report also examines the main assumptions used by funds in their 2022 valuations, looking at trends around setting of the discount rate, life expectancy and future expectations for inflation and salary increases.

Overall, the report shows that Hackney is in the middle of reported funding levels at 106%, and slightly below average on the standardised basis. Like most funds, the Hackney Fund is better funded on a standardised basis than on its locally reported basis, as a result of the inclusion of a measure of prudence in the valuation assumptions. The Fund's whole fund contribution rate remains high relative to other funds (8th of 86) but is no longer an outlier thanks to substantial recent reductions.

LGPS Gender Pensions Gap Report
The initial Gender Pensions Gap report for LGPS identified a substantial difference between the average level of LGPS pension benefits accrued by male and female scheme members. The difference between men and women as to their accrued benefits in the Local Government Pension Scheme is 34.7% for benefits in the reformed CARE scheme and 46.4% for benefits in the legacy final salary scheme. For benefits in payment the difference was even greater (49%).

The Board then asked the Government Department (GAD) to explore these gender gaps in more depth. This further report sets out GAD's findings. It shows there is a complex interaction between the types of work women do, their career patterns (in terms of part-time working and gaps in service) and their ability to progress their careers after having taken on childcare or other caring responsibilities.

There is as yet no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps with different public sector pension schemes. The Board has therefore proposed that GAD put in place a common reporting framework for all of the public sector schemes, potentially working this into the scheme valuation process. The Board has now set up a working group to consider the next steps. e.g. in scheme changes.

The Hackney Fund has had a Gender Pensions Gap Analysis carried out by the Fund Actuary, Hymans Robertson. This will be considered at the November Pensions Committee.

8. Investment including LCIV and RI update

8.1 Investment strategy and policy reviews

The Pension Fund Treasury Management Treasury Management strategy has been brought to Committee for triennial review.

The Fund commenced a review of its investment strategy in March 2023, following approval of the 2022 actuarial valuation. The Strategic Asset Allocation was agreed in April 2023, with implementation due to take place during 2023/24 and beyond.

The Committee has agreed that Fund should make new allocations as follows:

- 5% to Multi Asset Credit
- 5% to Impact Property
- 5% to nature-based solutions

At its meeting on 14 June, the Committee agreed a paper setting out a suggested approach to implementation of the above allocation decisions.

On 20 September, the Committee is due to consider a report making recommendations around the investment in Multi Asset Credit.

The Fund's asset allocation as at 30 June 2023 was as follows:

Asset Class	Target Allocation	Actual Allocation 30/06/23
Equities	40.0%	51.1%
Bonds	10.0%	10.9%
Ultra short bonds	0.0%	5.0%
Multi class credit	5.0%	0.0%
Property	10.0%	8.7%
Impact Property	5.0%	0.0%

Private Debt	10.0%	7.8%
Senior Loans	10.0%	7.0%
Infrastructure	5.0%	2.5%
Diversified Growth	0.0%	6.8%
Nature-based solutions	5.0%	0.0%
Other balances	0.0%	0.2%
Total	100.0%	100.0%

The Fund is currently significantly overweight in equities. Given recent moves to decrease risk, and pending the transition of assets to the new mandates, officers have sought advice from Redington on an increased allocation to bonds on a temporary basis. This could help improve income generation and reduce equity risk whilst decisions are made on the implementation of the new mandates.

The underweights to illiquid assets (private debt, senior loans and infrastructure) are the result of the gradual funding of these mandates through capital calls from the managers concerned. These allocations will therefore increase over time.

8.2 Other Hackney Pension Fund investment matters

Investment performance update

Appendix 2 to this report provides a manager performance update from the Fund's Investment consultants, Redington. The report includes an analysis of quarterly, 1 year and 3 year and since inception performance against benchmark, and a brief commentary on performance for each mandate.

The LCIV Sustainable Equity Fund, LCIV Diversified Growth Fund, LCIV EM Equity Fund and the BMO bond mandate all delivered negative returns over the quarter. All other funds delivered positive returns. The Blackrock World Equity Fund was the best performer in absolute terms, returning 7.0%, whilst the Threadneedle TPEN Property Fund delivered the strongest excess return above benchmark, at 0.5% (0.9% total return).

Six funds delivered returns below the benchmark - LCIV GAGPA Fund (3.2%, -0.1% relative to benchmark), LCIV Sustainable Equity Fund (-0.1%, -4.0% relative to benchmark), LCIV Diversified Growth Fund (-2.1%, -4.2% relative to benchmark), LCIV EM Equity Fund (-2.8%, -0.8% relative to benchmark), Blackrock Short Bond Fund (-5.6%, -0.4% relative to benchmark) and the Threadneedle Bond Mandate (1.0%, -0.1% relative to benchmark).

In monitoring performance, particular attention is paid to funds or mandates that have seen sustained below benchmark performance. London CIV will be attending the Pensions Committee to discuss the performance of the LCIV GAGPA and Sustainable Equity Funds, which have each seen a lengthy period of underperformance.

A wider market update is included at Appendix 3.

Responsible investment update

The Fund agreed a new set of climate targets in March 2023. As part of its journey towards net zero, the Fund has set the following targets for 2030:

- Achieve a 50% carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.
- Target a 2C portfolio by 2030 with a 1.5C goal for 2040.
- Allocate no less than 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes subject to fiduciary duties

Progress against these targets will be monitored on an annual basis.

Work has begun on developing a new engagement framework for the Fund to support a Stewardship Code submission in May 2024. The work has started with a survey of Pensions Committee members over the summer. 4 responses have so far been received and the survey remains open if any other members wish to complete it.

Results will be presented at the Committee meeting 20 September - a short briefing note can be found at Appendix 4.

A meeting of the RI Working Group to support this work has been provisionally scheduled for 2 November 2023.

The Pensions Committee has also looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF).

Appendix 5 to the report therefore provides the Committee with an update on where managers have deviated from LAPFF's voting recommendations. At present this information is only provided for the London CIV, but Officers will also explore options to strengthen the Fund's approach to voting in the passive mandates held by BlackRock.

The LAPFF Quarterly Engagement report is attached at Appendix 6 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. Following the restructuring of its equity portfolio, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

8.3 **Other investment related developments and news**

Next Steps on Investments - Consultation

DLUHC has issued a consultation on a number of investment-related proposals for the LGPS. These include imposing a deadline of 31st March 2025 for the transition of listed assets from funds to pools; proposals around increasing LGPS investments in private equity and projects that meet the government's levelling up agenda; details around the implementation of the CMA Order relating to investment consultants, and a technical change to the 2016 investment regulations. The consultation will run for twelve weeks and closes on Monday 2nd October 2023. The consultation can be viewed on the gov.uk website.

DLUHC is asking that respondents use the online consultation link to respond. The SAB will be responding to the consultation and will publish information about its discussions, as well as a draft response, in due course. A draft response to the consultation on behalf of the Hackney Pension Fund is due to be discussed at the 20 September Pensions Committee meeting.

Climate-related financial risks disclosure delayed

DLUHC have confirmed that implementation of climate reporting obligations will be delayed at least until next year. Presuming regulations are forthcoming in time for 1st April 2024, reports covering the period 1 April 2024 - 31 March 2025 would need to be produced by December 2025. In the meantime, the Responsible Investment Advisory Group (RIAG) will look at what advice could be given to funds wishing to do a shadow reporting year, which will be relevant to Hackney, and also what could be done to standardise the development of climate reporting approaches at the pool level.

Economic Activity of Public Bodies (Overseas Matters) Bill

In June 2023 the Government published the Economic Activity of Public Bodies (Overseas Matters) Bill, which aims to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions.

The Bill had its second reading in the House of Commons on 3rd July 2023. In the course of the debate, significant concerns were expressed about the Bill, centring around its rationale, its practicability and also whether it constituted a significant over-reach of Ministerial authority. The LGA has published a technical brief on the Bill which includes a section on the Bill's effect on pensions as well as the LGA view on this.

The SAB will be providing written evidence on the Bill to the Public Bill Committee which will scrutinise the draft Bill. The Vice-Chair of the Board, Jon Richards, and LGA's Head of Pensions, Jo Donnelly, have also been invited to give oral evidence to that Committee. As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.

9. Pensions Administration and Communications Update

9.1 Administration and communications and strategy policy reviews

The Pension Tax Communication Strategy was due to be reviewed but has been delayed by the McCloud remedy and guidance around tax implications. Further work is needed on this with input form Equiniti. An update can be given next meeting.

9.2 Other Hackney Pension Fund administration and communication matters

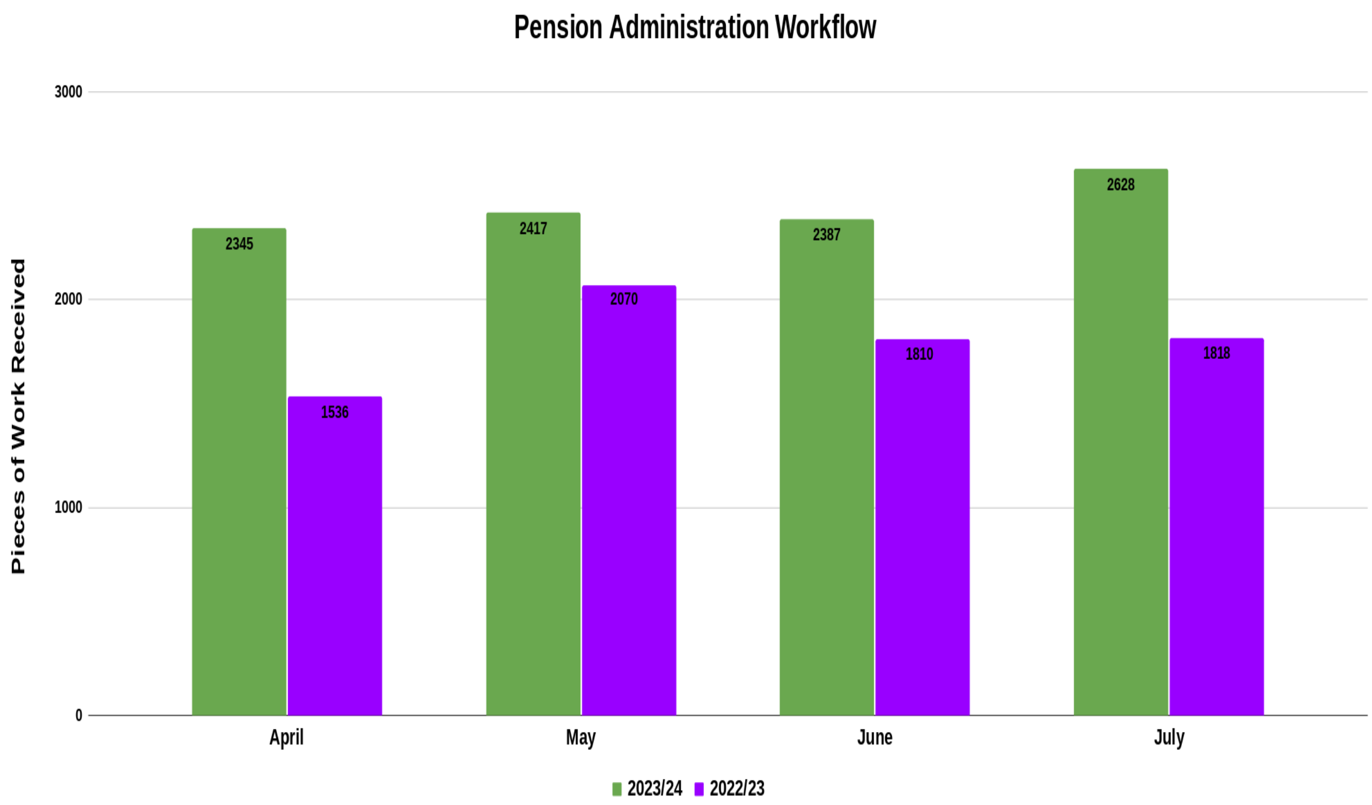
Equiniti Monthly Monitoring

The current contract in place with Equiniti has resulted in some changes to performance measures. Monthly reporting is now required on the basis of a large number of service level agreement standards (SLAs). The graph in 9.3 reflects this reporting change, showing from the beginning of the financial year 1 April 2023.

In addition to the reporting changes the SLA timeframes are also being revised to bring them in line with new SLAs under the contract. Equiniti are still working on amending their work management system to capture these and it was hoped that these would be ready to report on for the September committee. At the time of writing the systems are still awaiting sign off and testing within Equiniti and therefore, this will be reflected in the data shared at the next Committee meeting.

Case levels

During the reporting period (the green bars) EQ have seen significantly higher new cases received when compared to the same period in 22/23. However, this trend is in line with the higher workload seen in the last quarter of 22/23



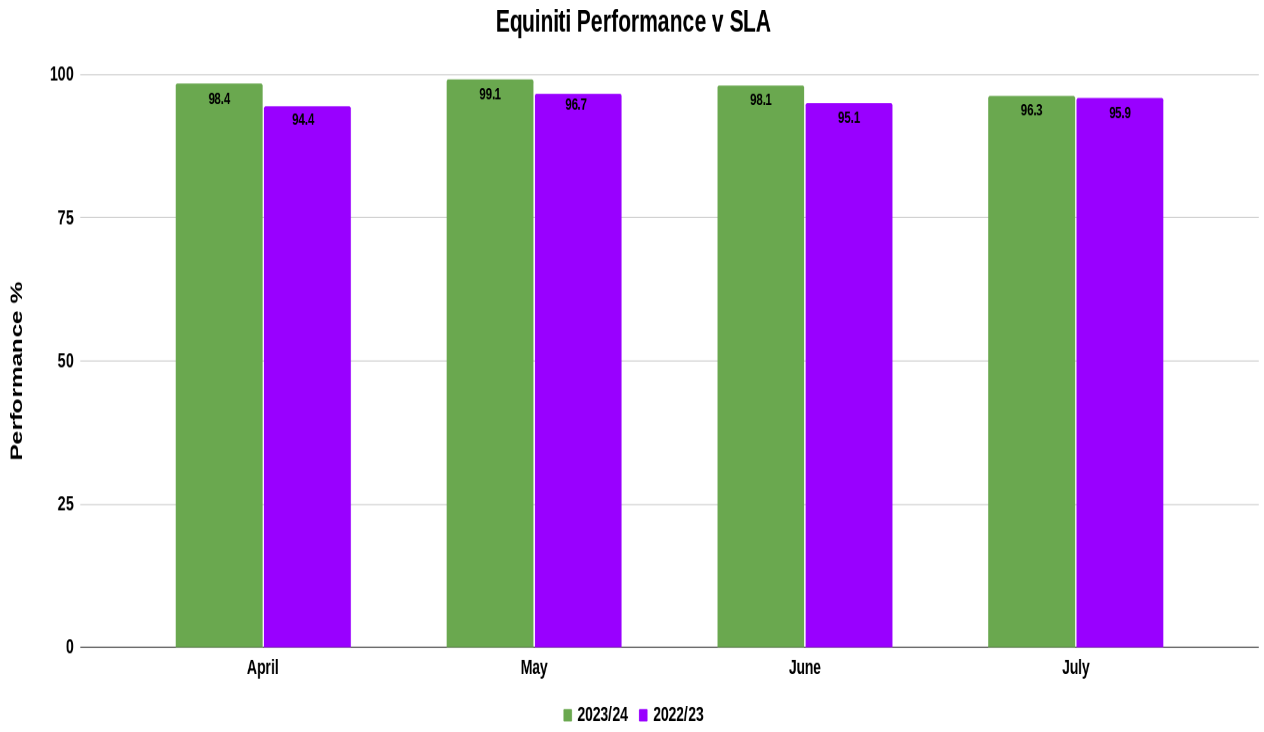
9.3 *SLA monitoring*

The contract with Equiniti includes a large number of service level agreement standards (SLAs). The SLAs include target timescales for processes such as:

- providing new members with information about the scheme
- notifying retiring members of the amount of retirement benefits and paying them their tax free cash lump sum
- informing members who leave the scheme before retirement of their deferred benefit entitlement.

The following graph shows Equiniti's performance in these areas since April 2023 (the green bar) and shows the comparable position last year (the purple bar). The graph shows the overall SLA performance against all service level agreement standards in place.

An averaged SLA of 98% was achieved for the reporting period, compared to 95.5% for the same period last year.



9.4 *Communications*

Since the last update the following communications have been issued to scheme members:

Annual Newsletter

All pension members were issued with the Annual Members Newsletter in August

Website

Two news articles were added to the website to inform members of the Lifetime Allowance and Annual Allowance tax changes and the change in the scheme revaluation date. Updates were also made to the tax sections of the website along with updates to the members tax factsheet to reflect the changes.

Following the updated Government Actuary's Department early retirement factors updates have been made to two factsheets which reference the factors- flexible retirement and early retirement factsheets.

Pre Retirement Seminars

The Pensions Team arranges '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 are held remotely with Affinity providing the facilitator, learning material and bookings free of charge. These are currently being held on a monthly basis and feedback received has been positive.

Annual Benefit Statements

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.

As a result of previous lessons learnt the process was improved this year with increased communication and coordination between the different teams involved in the process within Equiniti. The internal controls and processes, plus increased automation of the system has also been undertaken.

Statements have been issued by the legal deadline this year as outlined below:

- Active member benefit statements 6,595 (which also includes any pension credit members). Some 700 records were suppressed due to having a flag on the system as a potential unsolved leaver/change in status is yet unknown. These records are currently being worked through to finalise the status and if benefit statements are due on these then they will be issued as the query is resolved.

- Deferred member benefit statements
    - statements issued: 7,238
    - statements not able to be issued due to no current address: 1,585 .

Equiniti are continuing to work through circa 450 records which have data queries on and if any of these do require a statement these will be issued as and when the query is resolved.

As a result of the outstanding queries a breach has been reflected in the breaches register and, once further investigation and analysis has taken place, the Fund will decide whether the breach is significant enough to make a report to the Pensions Regulator.

A further update on the benefit statement work will be provided at the next meeting.

9.5 *Internal Disputes Resolution Procedure (IDRP)*

This is the procedure used by the Fund for dealing with appeals from members both active and deferred. The majority of the appeals are in regard to either disputes around scheme membership or the non-release of ill health benefits. The process is in two stages:-

- Stage 1 IDRP's are reviewed and determinations made either by the Pensions Manager or by a senior technical specialist at the Fund's pension administrators, Equiniti.
- Stage 2 IDRP's are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

Stage 1 – Two applications were submitted during the reporting period. One was against the former Employer for an ill health decision, investigations are still ongoing. The second is against the administering authority in relation to a Pension Saving Statement issue and investigations are still ongoing.

Stage 2 – Two applications were submitted during the reporting period. The first is in relation to an historic transfer out against the administering authority, with investigations still ongoing. The second is against the administering authority in relation to a Pension Saving Statement issue and investigations are still ongoing.

9.6 *Third Party Administration Implementation Update*

The previously agreed extension of the Fund's third party administration services contract with Equiniti for 3 years from 1st January 2023 was agreed and signed on 28 February 2023. The Fund is now working with Equiniti on the delivery of the software upgrade. The migration to the new software has been delayed. Once new timeframes have been proposed a further update will be given at the next meeting.

9.7 *McCloud Programme Update*

Summary
Following two consultations and numerous delays to draft regulations, the regulations were laid on 8 September 2023 before the coming into force date of 1 October 2023.

In addition, on 17th August the Public Service Pension Schemes (Rectification of Unlawful Discrimination)(Tax)(No. 2) Regulations 2023 were laid and came into force on 14th September.
These set out changes to how pensions tax rules will apply as a result of the public service pensions remedy and make changes to how individuals are treated for tax purposes if, as a result of the McCloud remedy, they are subject to tax charges.

Workstreams

Most workstreams are progressing with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon.

Good progress continues to be made in relation to the Data, Communications, Finance, Governance and Benefit Rectification Workstreams although some actions continue to be paused due to the delay in the regulatory timetable. These will be progressed now the regulations have been published.

The Ongoing Administration workstream has also made good progress in recent weeks and Equiniti now have in place a dedicated project manager. The project manager has issued a plan outlining key tasks and milestones to ensure cases are administered in line with the legislation from 1 October 2023. This plan is under review and Equiniti's progress against this plan was discussed at a meeting on 6 September.

Good progress has been made by Equiniti with the updating of processes and checklists. However, due to resourcing issues the development of off-system spreadsheets has not progressed as much as hoped. Equiniti have established that a potential workaround for this is to use the off-system tool that has been developed for Benefit Rectification and the BAU team will receive training on the application of this tool in the coming weeks, to enable cases to be processed in line with the regulations from 1 October 2023. A further meeting will take place on 26 September.

The Compendia software is key to the delivery of the Ongoing Administration workstream, and the Fund are due to migrate to an updated version of the software – this is now known to be after the McCloud regulations come into force on 1 October 2023. Therefore, it has been established that in the interim period between 1 October 2023 and the migration to the updated software, Equiniti will carry out "off-system" calculations in line with the legislation – this is expected to be done using Excel spreadsheets.

The Benefit Rectification workstream is currently planned to be delivered off-system, but the outputs will need to meet the requirements of the administration software and so this workstream will also be impacted by the timeframes for the software migration.

The risk logs for each workstream continue to be discussed at workstream meetings and at the PMG meeting and updated as appropriate with the key risks continuing to be the impact of the delay in the regulatory timetable and the Compendia software migration.

Whilst the overall project is running slightly behind schedule, principally due to the slower than expected progress with the Ongoing Administration workstream, this needs to be considered in the context of the regulatory timetable, which has continued to change. Now that the regulations have been published it is expected that any 'on hold' actions can be progressed. A further update will be provided at the next Committee meeting.

9.8 Address Tracing

In order to continually attempt to trace and manage the numbers of records which are currently held as holding no current address Equiniti have carried out the annual tracing exercise on the deferred member population who do not have an address on the administration system.

Some 1,988 verification letters were sent with 343 responses being returned. These addresses have now been updated on the system in time for the annual benefit statement production. The responses were low but this now forms part of the annual data cleanse cycle and therefore it is hoped that the number of records held with no addresses will gradually decrease year on year.

9.9 *Pension Saving Statements*

The Finance Act 2006 sets out that individuals can only save up to £40,000 each year in their pension funds (a lower amount applies for some of the very highest earners). For a defined benefit scheme such as the LGPS, this is calculated as the overall growth in their benefits over the year. The Pension Fund is required to send a Pensions Savings Statement to notify any member whose benefits within the Hackney Pension Fund have exceeded £40,000. These statements must be issued by 6th October in respect of the previous financial year.

Equiniti's projects team are currently working on the Pension Saving Statements, and an update will be provided on these at the next meeting.

9.10 **Other administration and communications related developments and news**

SCAPE discount rate change and GAD factor updates

The superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023. The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes (PSPS) and determine the actuarial factors across **all** PSPS. The Government also published its response to the June 2021 consultation on the methodology used to set the SCAPE discount rate. All the documents relating to the consultation are on the non-scheme consultation pages of www.lgpsregs.org.

Due to the change in SCAPE discount rate the Government Actuary Department (GAD) factors have needed to be amended accordingly. DLUHC has since issued three batches of new factors (covering CETVs in and out, Pensioner CEVs, pension credits and pension debits, early and late retirements, trivial commutation, inverse commutation, Annual allowance scheme pays and lifetime allowance scheme pays). The factors spreadsheets and various transitional arrangements can be found on the Actuarial Guidance page of the LGA Regulations website:

https://www.lgpsregs.org/schemeregs/actguidance.php

Pensions Dashboards

As explained in previous reports, the Pensions Dashboards are a national initiative which will allow people to see what they have in their various pensions – including their State Pension – in a single place online, at any time they choose. All pension schemes will be included within the programme, including the LGPS.

There have been delays to the national Pension Dashboards programme and the Department for Work and Pensions (DWP) has now laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

The Pensions Regulator (TPR) has updated its 'Failing to comply with dashboards duties' guidance. The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. More details are on tPR website https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties

The Pensions Dashboards Programme (PDP) has also launched or updated the following resources:

• A new video introducing the dashboards available point. The dashboards available point is the date when pensions dashboards will be made available to the public.
• The Pensions dashboards development FAQs have been updated to reflect the new connection deadline announcement.
• The Connection deadline page has been updated to provide more information on the new approach to connection for pensions dashboards.

Further information on the above resources can be found using the link below:
https://www.pensionsdashboardsprogramme.org.uk/

Appendices

Appendix 1 - Funding Update
Appendix 2 - Investment Performance Report
Appendix 3 - Market Update
Appendix 4 - Stewardship Code briefing note
Appendix 5 - Voting - Exceptions to LAPFF policy (**EXEMPT**)
Appendix 6 - LAPFF Engagement Report

<u>Background documents</u>

None

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