

Title of Report	High Level Monitoring Report
For Consideration By	Pensions Committee
Meeting Date	26 March 2024
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 as at end December 2023. An overview of each area is given in the main body of the report and further detail can be found in the appendices. It should be noted that some of the information in this report has already been considered by the Committee as this report is being used to align reporting periods across the monitoring reports.

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 7 February 2024 – Business Plan, plus various previous policies and strategies agreed at Pensions Committees.

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

- 4.1. The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.9 billion worth of assets and for ensuring the effective and efficient running of the Fund for around

26,000 scheme members and nearly 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**

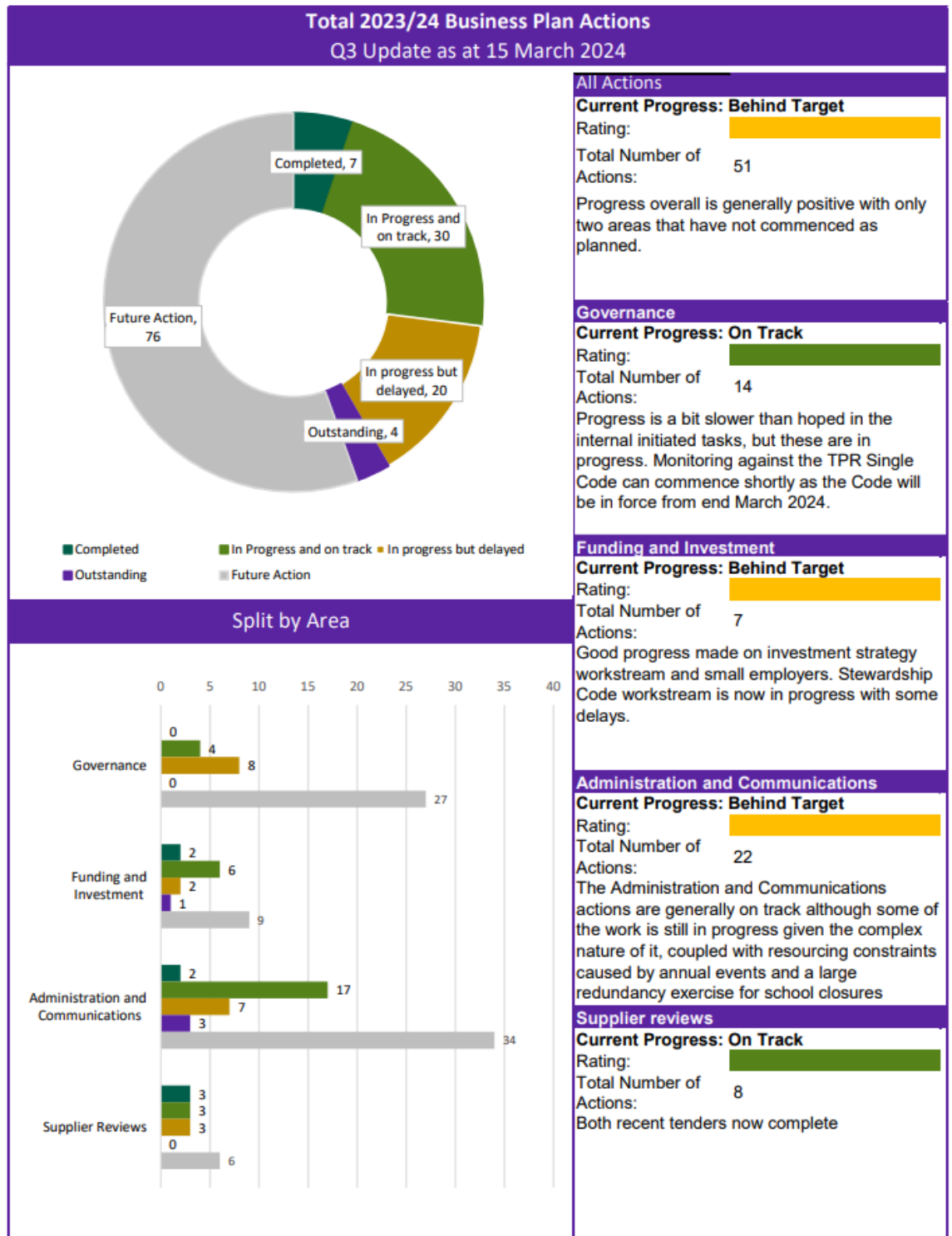
- 5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. These include:
- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council 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. This covers the period to 31 December 2023

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



6.2. Budget

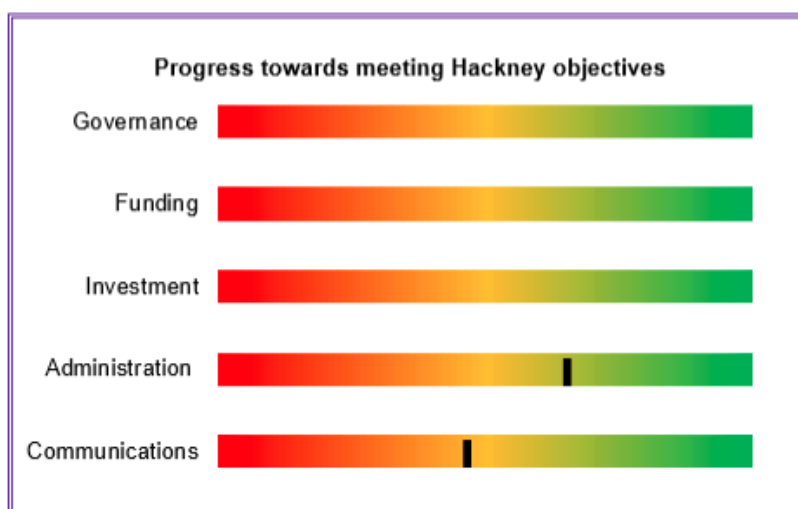
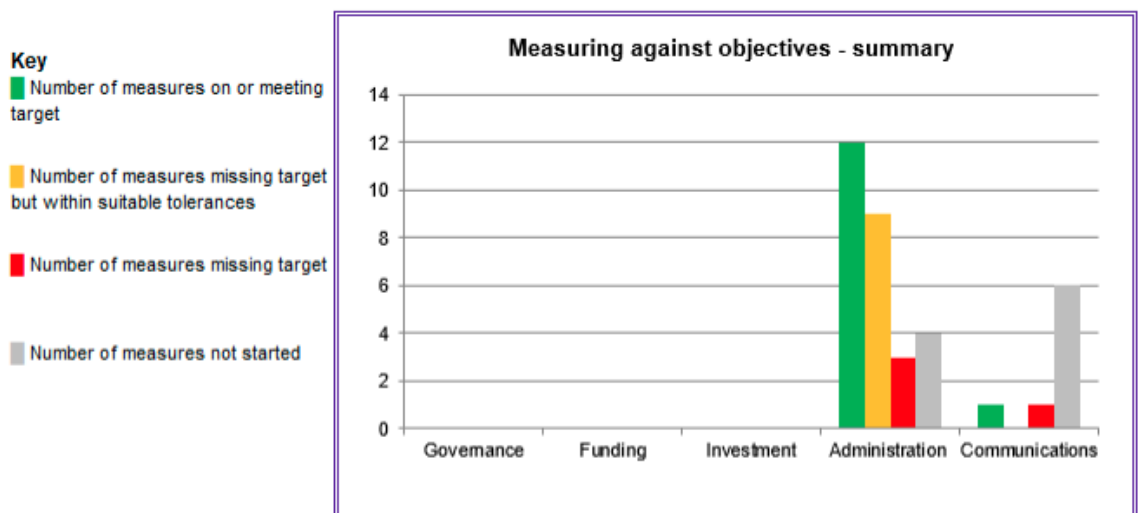
6.3. An updated Budget Forecast along with outturn will be included in the June Committee meeting. Work is ongoing regarding the reconciliation of data related to the Fund's transition to a new Custodian. Discussions continue with the new custodian regarding the reporting requirements.

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 as we further develop the model.

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

7.3. A high number of communication measures are grey due to customer satisfaction surveys for members and employers not having been carried out during the past year, due to other competing priorities.



- 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.

8. **RISK REGISTER**

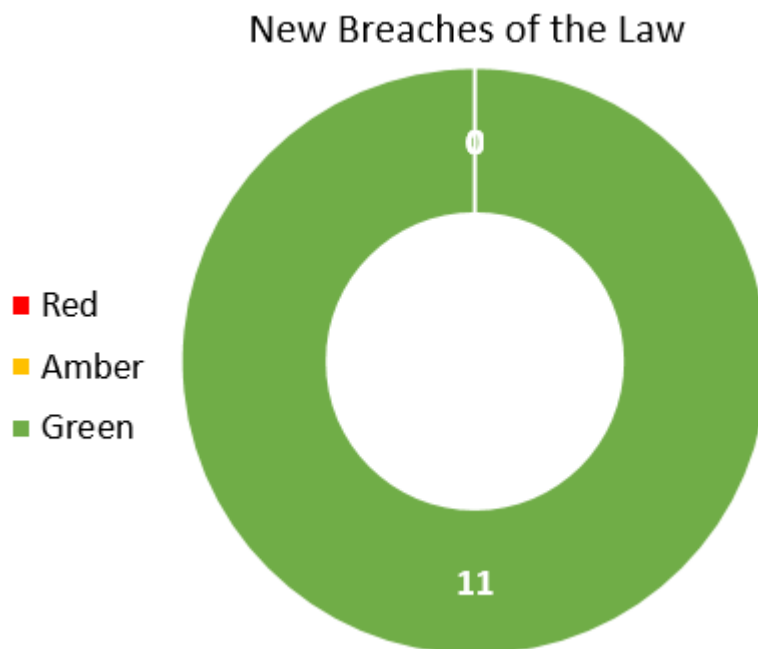
- 8.1. The Fund’s risks are shown in the appendix “Risk Register”.
- 8.2. The Risk Register's All Fund Risk Heat Map provides an overview of the risks and how they have moved since the last review of the register. The colour within each number’s box also indicates the target for that risk. There are 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 contracts 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 SLAs, 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.

There has been no changes to the risk statuses since they were last reported in February 2024.

9. **BREACHES OF THE LAW**

- 9.1. The breaches register as at 31 December 2023 is attached as appendix “Breaches Register” to this report. There were eleven breaches identified since the 1 October 2023, relating to late contributions, late remittance advice and leaver breaches of disclosure legislation. All are rated green. 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. There are two unresolved breaches still on the register. With regards to the existing amber ABS breach reported at the September and February Committees, 6,909 active statements have now been issued and Equiniti continues to work on circa 160 deferred record queries and will issue statements (where required) in due course. No report has been made to The Pensions Regulator due to the progress made. A further update on this will be provided at the next Committee meeting. There is one existing unresolved red breach which relates to two vacant scheme member representative members on the Pension Board. All Board vacancies have now been filled, although the first meeting of the new Board has not yet taken place. The Board has not met since September 2022 so this breach has been reported to The Pensions Regulator.
- 9.3. Two breaches reported at the September and February meetings (10 and

15 on the register) relating to non-receipt of contribution remittances have now been resolved as the employer has provided the remittances in order to assist with the reconciliation of contributions.

- 9.4. Unfortunately 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 are providing some information on disclosure breaches relating to leavers and new joiners and these have therefore been included in the register (breaches 27, 28 and 29 as shown in the appendix). 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. The higher number of disclosure breaches reported in November is due to additional data cleansing of historic year-end queries.
- 9.5. As at the end of the period being reported, two breaches remain unresolved. These are the breaches relating to the Pensions Board and Annual Benefit Statements (discussed in paragraph 9.2).

Appendices

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

Background documents

None

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