London Borough of Hackney Pension Fund

Report and Accounts 2023-24

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Chair's Foreword - Cllr Kam Adams

As Chair of the Pensions Committee, I am pleased to introduce the London Borough of Hackney Pension Fund Annual Report and Accounts for 2023/24. The Pensions Committee is responsible for the management of all aspects of the Pension Fund, including investment, administration and governance of the Fund.

The year 2023/24 has been another busy one for the Committee with the Investment Strategy review taking place following completion of the actuarial valuation at the end of March 2023. The Fund also had a big focus on responsible investment including climate change to ensure this was fully integrated into our investment strategy. Further the focus on administration remained a top priority for the Fund to ensure our scheme members received a quality service.

Investment markets remained challenging, starting the year with inflation levels over 10% albeit falling back towards more normalised levels of c. 3% by the end of the year. Whilst equity markets proved resilient, gains were very concentrated with strong performance from a handful of US stocks known as the 'Magnificent Seven' comprising fast growing technology stocks such as Nvidia, Microsoft and Apple really driving performance. UK government bond yields, having reached a peak following the mini-budget gilts crisis of the previous year, remained relatively high with real yields finally offering investors some more attractive returns than had been available for a number of years.

Against this backdrop, the Fund reviewed its strategic asset allocation alongside its commitments on climate change and a desire to deliver further positive impact whilst achieving the financial returns the Fund needs to pay pensions. Strategic allocations were agreed to invest in nature-based solutions to support real world impact within the Fund's net zero objectives and I am pleased that this has now been picked up across London with the Fund leading the drive for London CIV to come forwards with a suitable product for all London LGPS funds to invest in.

Another strategy change was agreement to invest in affordable social housing, not just to support government policy on 'levelling up' during the previous administration but recognising the potential of the sector to add real value financially as well as socially. The other change was to transfer some of the Fund's assets into more income producing assets; Whilst the Fund remains cashflow positive at this time, it was felt appropriate to start factoring in a time when the Fund may be more cashflow constrained.

During the year, there was a consultation from the Government on LGPS investment which encompassed investment pooling, levelling up, private equity and UK productive finance. Whilst some of the narrative around levelling up has subsided, there is a real focus on consolidation and investing in UK growth and we await further consultations in due course and will aim to respond accordingly to changing circumstances.

The administration team has had another busy year. The administration of the LGPS remains challenging given the complexity of the scheme and legislative changes such as McCloud and the wider tax regime. The team have worked hard over the year to continue to manage the contract with Equiniti, ensuring that pensions and other benefits continue to be paid in a timely manner, whilst striving to drive improvements in the service for the Fund members. During this period the Fund has been reviewing its administration provision, with the current contract with Equiniti due to end in December 2025.

The Fund has worked closely with Equiniti to ensure that it administers ongoing benefits in line with the new McCloud remedy legislation, which was effective from October 2023, as well as preparing for the retrospective benefit rectification exercise. This is a major programme of work which requires significant planning, resourcing and risk mitigation.

The team has continued to support the Council's payroll teams in the process of providing good quality timely data through the automated interface process and in ensuring data held by the Fund is accurate and up to date. This has enabled the 23/24 Annual Benefit Statements to be issued with significantly less queries generated due to pay data issues.

The Committee continues to place emphasis on a training programme to ensure that it is able to evidence it has met the requirements of the CIPFA Knowledge and Skills programme and is able to fulfil the governance role with which it is charged and held dedicated training sessions during the year covering pensions administration and governance and pension investments. These are detailed further elsewhere in the annual report.

I would also like to take this opportunity to express 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 £2 billion pension fund. We have clearly made some excellent progress on our environmental, social and governance objectives including a submission to the Financial Reporting Council on our stewardship activities in October 2024.

Thanks also go to the officer team who have supported the Committee, including both Ian Williams, Group Director, Finance and Corporate resources, who left Hackney in July 2023 and Rachel Cowburn, Head of Pensions, who left in February 2024 after 8 years of leading the Fund. On behalf of the Committee, I would also like to thank the broader officer team, especially those who have picked up work following Ian and Rachel leaving. I would also like to express our thanks to our specialist advisors who have helped the Fund to progress key objectives over the year.

Cllr Kam Adams, 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 & 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 has delegated authority for the day to day running of the Fund.

The Pensions Committee during 2023/24 was made up of 9 Elected Councillor Members, 1 Scheme Member Representative and 1 Employer Representative.

Voting rights are granted at Pension Committee meetings for elected councillor members that attend Pension Committee meetings in person to be counted as being present for the purposes of the Local Government Act 1972. The scheme member representative and employer representative are able to contribute to discussions and participate in a non-decision making capacity.

Pensions Committee Members

Cllr Kam Adams (Chair)
Cllr Robert Chapman (Vice-Chair)
Cllr Ben Hayhurst
Cllr Lynne Troughton
Cllr M Can Ozsen
Cllr Margaret Gordon
Cllr Grace Adebayo
Cllr Ian Rathbone
Cllr Frank Baffour

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 Pension Board is responsible for assisting the Administering Authority to comply with: the LGPS regulations, overriding pensions legislation and guidance and requirements from the Pensions Regulator.

The Pensions Board during 2023/24 was made up of 5 members: 2 employer representatives, 2 scheme member representatives and 1 independent chair. During 2023/24, 2 scheme members and an independent chair were appointed to vacant positions.

Pensions Board Members

Catherine Pearce - Independent Member (Chair)
Pradeep Waddon - Employer Representative
Rebecca Datta - Employer Representative
Natasha Persue-King - Scheme Member Representative
Christopher Ellmore - Scheme Member Representative

Contact details for the Pensions Board:-
Pensions Board
London Borough of Hackney Pension Fund
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 2024 was delegated to the Group Director of Finance, with the Pensions Team (within the Finance and Corporate Resources Directorate) having responsibility for the day-to-day management of the Fund. There was a change in personnel from the position of Group Director of Finance and Corporate Resources (April 2023 to July 2023) to Group Director of Finance (from July 2023) for the accounting period ending 31st March 2024. There was also a change in personnel from the Head of Pensions to the Assistant Director of Pension Fund Investments & Administration (from September 2024). The unaudited annual report and accounts were approved by the Pensions Committee on 13th November 2024.

London Borough of Hackney Responsible Officers

Jackie Moylan **- Director, Financial Management (Until July 2023) / Group Director of Finance (from July 2023)**

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

Ian Williams **- Group Director of Finance and Corporate Resources (until July 2023)**

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

Pensions Team

Miriam Adams **- Assistant Director of Pension Fund Investments & Administration, Pensions Team (from September 2024)**

Michael Honeysett **- Head of Pensions, Pensions Team (from March 2024 until September 2024)**

Rachel Cowburn **- Head of Pensions, Pensions Team (until February 2024)**

Lucy Patchell **- Pensions Manager, Pensions Team**

Morgan Williams **- Pension Investment & Accounting Manager, Pensions Team**

Contact details for the Pensions Team:-
London Borough of Hackney Pension Fund
Pensions Team
Finance & Corporate Resources
Hackney Service Centre,
1 Hillman Street
London, E8 1DY

Auditors, Consultants and Third-Party Service Providers

Auditors – Forvis Mazars

Mazars
30 Old Bailey, London, EC4M 7AU

Actuary Consultant to the Fund – Hymans Robertson

Steven Scott
Actuarial Consultant
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

AVC Provider – Prudential

Prudential AVC Customer Services
Lancing, BN15 8GB

Investment Consultant to the Fund – Redington

Jill Davys
Director, Global Assets
Redington
Floor 6, 1 Angel Court, London, EC2R 7HJ

Governance & Benefits Consultant to the Fund – Hymans Robertson

(from 1 January 2024)
Ian Colvin
Head of LGPS Benefit Consulting
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Governance & Benefits Consultant to the Fund – AON

(until 31 December 2023)
Karen McWilliam
Head of Public Sector Governance and Benefits
Aon
1 Redcliff Street, Bristol, BS1 6NP

Legal Advisers

Legal Services
London Borough of Hackney
1 Reading Lane, London, E8 1GQ

Pension Administration Services – Equiniti

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

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

Custodial Services – Northern Trust
(from September 2023)
Northern Trust
50 Bank Street, Canary Wharf, London, E14 5NT

Custodial Services – HSBC
(until August 2023)
HSBC Bank Plc
8 Canada Square, London, E14 5HQ

Asset Pool and Investment Managers

Asset Pool - London CIV
Global & Emerging Markets Active Equities, Multi-Asset, Private Debt and Infrastructure
London CIV Ltd
4th Floor, 22 Lavington Street, London, SE1 0NZ

Global Passive Equities and Fixed Interest
Blackrock Investment Management
12 Throgmorton Avenue, London, EC2N 2DL

Fixed Interest
Columbia Threadneedle Management Limited
Cannon Place, 78 Cannon Street, London,
EC4N 6AG

Property
Threadneedle Asset Management Ltd
Cannon Place, 78 Cannon Street, London,
EC4N 6AG

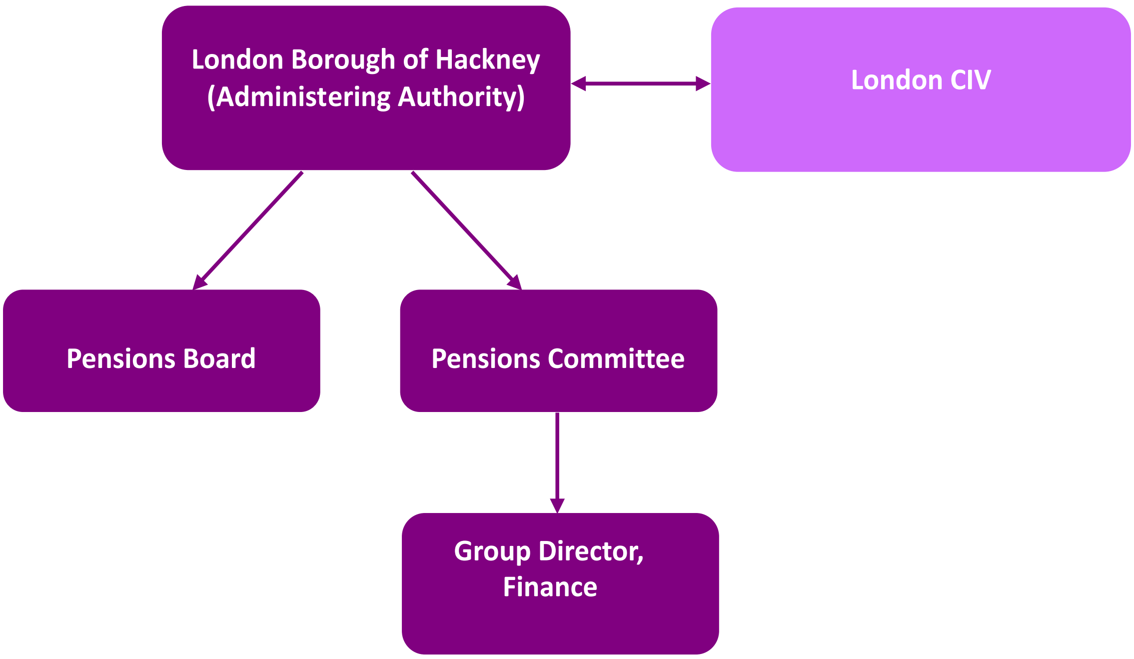
Private Debt
Churchill Asset Management LLC
375 Park Avenue, 10th floor, New York, NY 10152

Private Debt
Permira Advisers LLP
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 2023/24 financial year is depicted in the chart below.



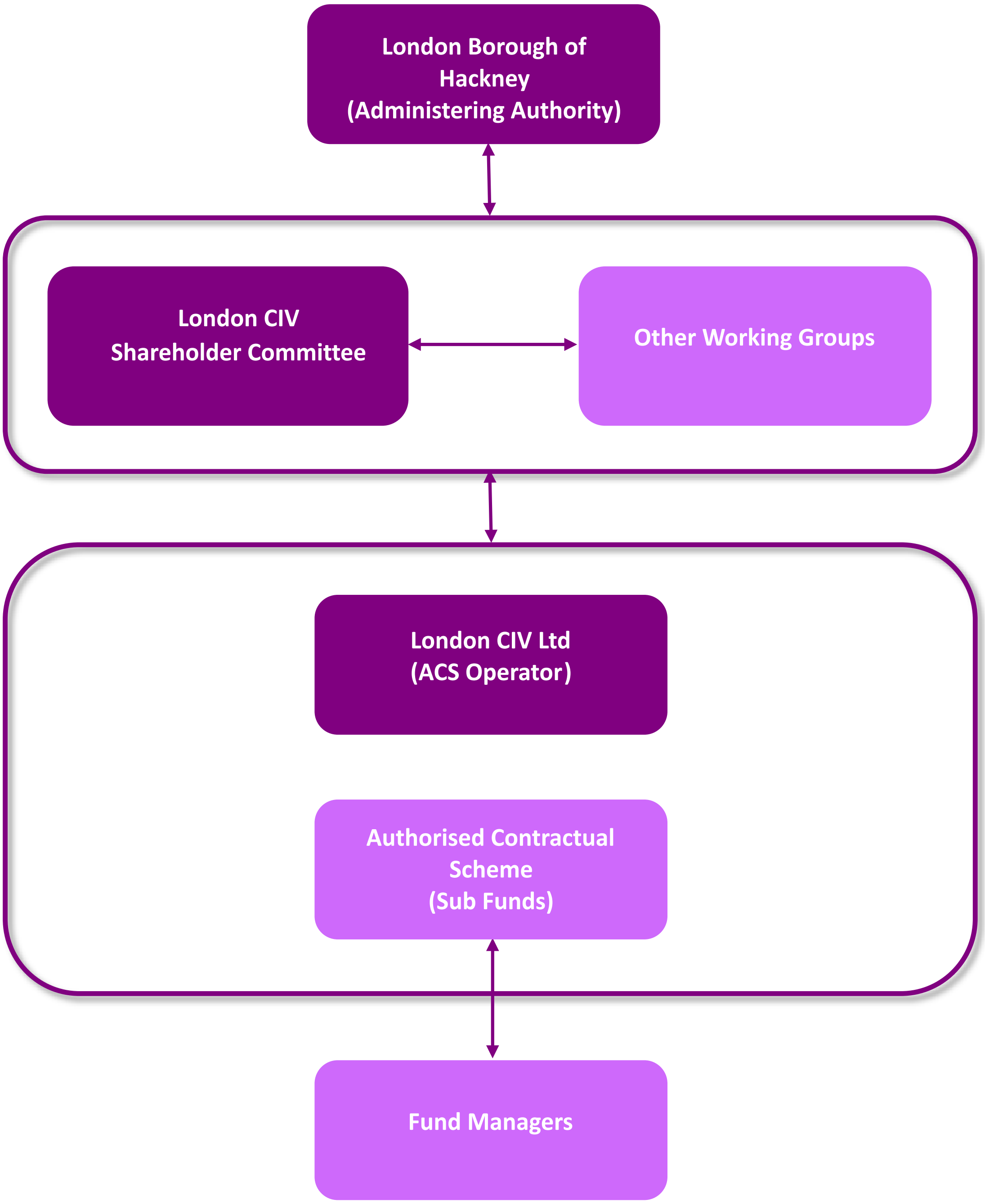
The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). London CIV established in 2015 by London Local Authorities manages London Local Government Pension Scheme (LGPS) assets. London CIV is one of eight U.K LGPS asset pooling companies. The London CIV has opened a range of sub-funds: global equities, fixed income, multi-asset, private market and real estate, with other asset classes to follow. At the reporting date 31st March 2024, the Fund held investments in: 3 active global equities sub-funds, 1 fixed income sub-fund, 1 private debt sub-fund and 1 renewable infrastructure sub-fund, all held directly via the London CIV. The Fund also held investments in 2 passive equity portfolios with BlackRock with oversight from London CIV.

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. The CIV's key formal governance structure is the Shareholder Committee which comprises 14 members, 8 of whom are local authority pensions committee chairs (or equivalent elected Council leaders), 4 of whom are local authority treasurers, a trade union member and the Chair of the London CIV Board. The Fund was represented within the governance structure of the CIV during 2023/24 by Cllr Robert Chapman (LB of Hackney, Pensions Committee Vice-Chair) who held a role on the Shareholder Committee during the year.

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 CIV's formal governance structure is complemented by more informal arrangements with client fund engagement, which include a Responsible Investment Reference Group (RIRG), Seed Investor Group (SIG) and Cost Transparency Working Group (CTWG). The Fund launch governance and engagement framework provides a route for the CIV's partner funds to ensure their investment beliefs and strategic needs are reflected within the CIV's investment decision-making processes via Seed Investor Groups (SIG).

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



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 Service for the Pensions Team 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.

Application of the CIPFA Knowledge and Skills Framework

The new Pensions Regulator single Code of Practice, replacing TPR Code No.14, came into force on 28 March 2024. It requires Pension Committees and Local Pension Board members to demonstrate appropriate knowledge and understanding to perform their roles effectively. The Pensions Committee has approved a Knowledge and Skills Policy which provides Pensions Committee and Pension Board members and senior officers with a clear framework setting out how they acquire and retain the knowledge and skills required to perform their individual roles. The aim of this policy is to ensure that those responsible for the management, delivery and governance and decision making in the London Borough of Hackney Pension Fund have the appropriate levels of knowledge and skills.

The Knowledge and Skills Policy applies to all members of the Pensions Committee and the local Pension Board, including scheme members and employer representatives. It also applies to all managers in the Hackney Council Pension Fund Management Team, the Director of Financial Management, and the Group Director of Finance as the Chief Finance Officer (Section 151 Officer).

The Policy highlights how the Fund aims to adhere to the above through use of a rolling training plan together with regular monitoring and reporting. Training is delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings or immediately before or after meetings (e.g. Pensions Committee or Pension Board) provided by officers and/or external advisers
- External training events
- Circulation of reading material, documentation and information
- Attendance at seminars and conferences offered by industry-wide bodies
- Links to on-line training
- Access to the London Borough of Hackney Pension Fund website where useful Fund specific material is available
- Qualifications relevant to senior officers.

CIPFA Knowledge and Skills Framework for LGPS committee members and LGPS officers identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained. They are:

- KSF 1 - pensions legislation and guidance
- KSF 2 - pensions governance
- KSF 3 - funding strategy and actuarial methods
- KSF 4 - pensions administration and communications
- KSF 5 - pensions financial strategy, management, accounting, reporting and audit standards
- KSF 6 - investment strategy, asset allocation, pooling, performance and risk management
- KSF 7 - financial markets and products
- KSF 8 - pension services procurement, contract management and relationship management

Training for Pensions Committee members during the year which met the core technical areas of the CIPFA Knowledge and Skills Framework have been listed in the section below in Pensions Committee training.

Pensions Committee

Work of the Committee during 2023/24

The Pensions Committee held 5 business meetings, plus two additional meetings for strategic asset allocation review and a procurement meeting during the year. The business meetings covering a broad range of topics including:

- Investment Strategy Implementation and Review
- Stewardship Code
- Response to LGPS Pooling Consultation
- The Pension Fund Report and Accounts 2022/23
- Passthrough for Small Admitted Bodies
- Responsible Investment Working Group
- The Fund's Administration Function
- Procurement of the Fund's Governance Consultant
- Procurement of the Fund's Actuary Consultant
- Risk Register Review
- Fund Business Plan Review
- Treasury Strategy Review

Training

The topics covered during the year in line with the Knowledge and Skills Framework are outlined in the table below:

Dedicated Training - Committee	Date
Natural Capital and Nature Based Solutions (KSF 6 & 7)	07/06/2023
LGPS Overview (KSF 1 - 7)	15/01/2024
Stewardship and the Stewardship Code (KSF 2)	15/01/2024
Impact Investments (KSF 6 & 7)	15/01/2024
Investing in Housing (KSF 6 & 7)	15/01/2024

5 Members also attended dedicated training sessions run by the Fund's benefits and governance consultant, Aon, which were specifically aimed at new Pensions Committee and Board members. The training, which took place over 2 days in June and July 2023, covered a range of topics including:

- Pensions Legislation and LGPS Governance,
- Investment,
- LGPS Administration and Communications and Contract Management
- LGPS Funding, Actuarial, Accounting and Audit

Attendance

The table below sets out the schedule of Pensions Committee meetings during the financial year and attendance at those meetings by members of the Committee.

Committee attendance at Meetings Apr 23 - Mar 24					
Member	June 2023	September 2023	November 2023	February 2024	March 2024
Cllr Kam Adams	P	P	P	P	P
Cllr Robert Chapman	P	A	P	P	P
Cllr Ben Hayhurst	A	A	A	A	P
Cllr Lynne Troughton	P	P	P	P	P
Cllr M Can Ozsen	A	P	P	P*	A
Cllr Margaret Gordon	A	A	P	A	P*
Cllr Grace Adebayo	A	P*	A	P	A
Cllr Ian Rathbone	A	A	P	A	P
Cllr Frank Baffour	A	P*	P*	P	P
Jonathan Malins Smith	P	P	P	P	P
Henry Colthurst	A	P	P	P	P*
P = Present					
P* = Present Remotely					
A = Absent					

Voting rights are granted at Pension Committee meetings for elected councillor members that attend the meetings in person to be counted as being present. For the purposes of the Local Government Act 1972, councillors accessing the meeting remotely were not counted as being present and may not vote on any item under consideration. At the discretion of the Chair, councillors may contribute to the discussion and participate in a non-decision making capacity.

Pensions Board

Work of the Board during 2023/24

The Pensions Board generally holds 2 regular business meetings per year; however, no meetings were held during 2023/24 as the appointment process for new Board members was not completed until close to year-end. The first Pension Board meeting with the new Board members took place early in 2024/25. The Board is currently made up of 2 employer representatives, 2 scheme member representatives and an independent chair. The Board meetings are all scheduled for 2024/25 and have been increased from 2 to 3 meetings per annum.

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 and as the Board has an independent member they must also be present.

With a new Pensions Board complying with its membership requirement as set out in the Board's terms of reference to have at least four members with equal representation of scheme members and employers, the first Pension Board meeting in April 2024 covered the following:

- Training on the roles and responsibilities of a Pension Board Member
- Training requirements and priorities
- Pensions Board Work Plan
- Review of Pensions Committee Papers

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, 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 the 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, the last valuation was as at 31st March 2022, the next valuation is as at 31st March 2025.

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 2023/24 was a defined benefit Career Average Revalued Earnings (CARE) 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 earned 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 covers 3x member final pay applicable from the day of joining scheme.
- Pensions for dependents: spouses, civil partners and eligible cohabiting 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 covers 3x member final pay applicable from the day of joining scheme.
- Pensions for spouses/civil partners and cohabiting 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 37 employers with active scheme members in the Pension Fund at the end of the financial year 2023/24, including the London Borough of Hackney itself. During the year 7 new employers were admitted, whilst 8 previous employers ceased and 1 scheduled body converted from a school to an academy. 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 2024.

Employer Name	Active	Pensioner	Deferred	Total	Employer Type
LONDON BOROUGH OF HACKNEY	7,285	7,748	9,060	24,093	Council
MOSSBOURNE (COMMUNITY ACADEMY)	113	11	142	266	Scheduled bodies
EXCELSIOR ACADEMY (COMMUNITY SCHOOLS TRUST)	93	10	178	281	Scheduled bodies
BRIDGE ACADEMY	91	8	102	201	Scheduled bodies
CITY ACADEMY	87	3	97	187	Scheduled bodies
HAGGERSTON SCHOOL (COMMUNITY SCHOOLS TRUST)	67	0	0	67	Scheduled bodies
MOSSBOURNE (RIVERSIDE ACADEMY)	63	0	22	85	Scheduled bodies
SKINNERS ACADEMY	51	4	54	109	Scheduled bodies
LUBAVITCH (MULTI-ACADEMY TRUST)	50	1	39	90	Scheduled bodies
BROOKE HOUSE SIXTH FORM COLLEGE	47	17	87	151	Scheduled bodies
MOSSBOURNE (VICTORIA PARK)	44	3	56	103	Scheduled bodies
CLAPTON GIRLS ACADEMY	41	4	66	111	Scheduled bodies
MOSSBOURNE (PARKSIDE ACADEMY)	38	3	27	68	Scheduled bodies
NORTHWOLD PRIMARY SCHOOL (ARBOR ACADEMY TRUST)	35	0	10	45	Scheduled bodies
CITY OF LONDON ACADEMY (SHOREDITCH PARK)	30	0	15	45	Scheduled bodies
WATERSIDE ACADEMY (COMMUNITY SCHOOLS TRUST)	21	1	29	51	Scheduled bodies
EKO TRUST	16	0	5	21	Scheduled bodies
BOXING ACADEMY	15	0	16	31	Scheduled bodies
LUBAVITCH FOUNDATION	6	0	6	12	Scheduled bodies
GREENWICH LEISURE LTD	9	6	13	28	Admitted bodies
CLEANTEC (MILLFIELDS)	6	0	0	6	Admitted bodies
OLIVE DINING LTD (MILLFIELDS)	4	0	0	4	Admitted bodies
OLIVE DINING LTD (STOKE NEWINGTON)	4	0	0	4	Admitted bodies
CIS SECURITY LTD	3	0	1	4	Admitted bodies
HARRISON CATERING (MOSSBOURNE PARKSIDE)	3	0	0	3	Admitted bodies
SOS (ST SCHOLASTICA'S)	3	0	0	3	Admitted bodies
FIT FOR SPORT (BETTY LAYWARD)	2	0	0	2	Admitted bodies
FUEL FOR LEARNING (BETTY LAYWARD)	2	0	0	2	Admitted bodies
ULTRASERVE (DAUBENEY)	2	3	25	30	Admitted bodies
CLEANTEC (JUBILEE)	1	0	0	1	Admitted bodies
CLEANTEC (SHOREDITCH PARK)	1	0	0	1	Admitted bodies
FIT FOR SPORT (GAYHURST)	1	1	5	7	Admitted bodies
LONDON DEVELOPMENT TRUST	1	0	0	1	Admitted bodies
OLIVE DINING (NIGHTINGALE)	1	0	0	1	Admitted bodies
PEABODY TRUST	1	1	0	2	Admitted bodies
ULTRASERVE (GRASMERE)	1	1	0	2	Admitted bodies
WESTGATE CLEANING (SIMON MARKS)	1	0	0	1	Admitted bodies
CEASED EMPLOYERS	0	645	946	1,591	CEASED
TOTAL	**8,239**	**8,470**	**11,001**	**27,710**	

The following Table outlines the pension contributions paid by employers in the Fund during 2023/24:

Contributions by Employer for the year to 31 March 2024				
Employer	Body Type Status	Members £'000	Employers £'000	Total £'000
London Borough of Hackney	Council	(15,569)	(62,024)	(77,593)
Arbor Academy Trust (Northwold Primary School)	Scheduled	(25)	(131)	(156)
Boxing Academy	Scheduled	(16)	(43)	(59)
Bridge Academy	Scheduled	(114)	(407)	(521)
Brooke House Sixth Form College	Scheduled	(90)	(421)	(511)
City Academy	Scheduled	(70)	(183)	(253)
City of London Academy Shoreditch Park	Scheduled	(45)	(145)	(190)
Clapton Girls Academy	Scheduled	(103)	(282)	(385)
Community Schools Trust (Haggerston School)	Scheduled	(46)	(110)	(156)
Community Schools Trust (Petchey Academy)	Scheduled	(108)	(432)	(540)
Community Schools Trust (Waterside Academy)	Scheduled	(27)	(77)	(104)
Eko Trust	Scheduled	(21)	(64)	(85)
Lubavitch Foundation	Scheduled	(16)	(29)	(45)
Lubavitch Multi-Academy Trust	Scheduled	(22)	(81)	(103)
Mossbourne Community Academy	Scheduled	(150)	(423)	(573)
Mossbourne Parkside Academy	Scheduled	(31)	(100)	(131)
Mossbourne Riverside Academy	Scheduled	(34)	(110)	(144)
Mossbourne Victoria Park Academy	Scheduled	(27)	(90)	(117)
Skinners Academies Trust	Scheduled	(96)	(304)	(400)
Atlantic Cleaning Services Ltd (St Mary's CofE School)	Admitted*	0	(1)	(1)
CIS Security Ltd	Admitted	(6)	(7)	(13)
CleanTEC Services Ltd (Jubilee Primary School)	Admitted	(1)	(5)	(6)
CleanTEC Services Ltd (Millfields Primary School)	Admitted	(3)	(12)	(15)
CleanTEC Services Ltd (Shoreditch Park Primary School)	Admitted	0	(2)	(2)
CleanTEC Services Ltd (Thomas Fairchild Community School)	Admitted*	(1)	(5)	(6)
Compass Contract Services (U.K) Ltd (Cardinal Pole Catholic School)	Admitted*	0	(2)	(2)
Fit For Sport (Betty Layward Primary School)	Admitted	(1)	(5)	(6)
Fit For Sport (Gayhurst Community School)	Admitted	0	(2)	(2)
Fuel For Learning Ltd (Betty Layward Primary School)	Admitted	(1)	(3)	(4)
Greenwich Leisure Ltd	Admitted	(11)	(39)	(50)
Harrison Catering Services Ltd (Mossbourne Parkside Academy)	Admitted	(1)	(3)	(4)
London Development Trust	Admitted	(7)	(15)	(22)
May Harris Multi Services Ltd (Shoreditch Park Primary School)	Admitted*	0	(2)	(2)
Olive Dining Ltd (Millfields Community School)	Admitted	(3)	(9)	(12)
Olive Dining Ltd (Nightingale Primary School)	Admitted	0	(1)	(1)
Olive Dining Ltd (Stoke Newington School)	Admitted	(4)	(19)	(23)
Peabody Trust	Admitted	(2)	(13)	(15)
Radish Churchill Contract Services Ltd (Betty Layward Primary School)	Admitted*	(1)	(3)	(4)
School's Offices Services Ltd (St Scholastica's Catholic Primary School)	Admitted	(2)	(10)	(12)
SND Cleaning Ltd (Our Lady and St Joseph Primary School)	Admitted*	0	0	0
Ultraserve London Ltd (Daubeney Primary School)	Admitted	(1)	(5)	(6)
Ultraserve London Ltd (Grasmere Primary School)	Admitted	0	(1)	(1)
Westgate Cleaning Services Ltd (Simon Marks Jewish Primary School)	Admitted	0	(3)	(3)
Total Contributions		**(16,655)**	**(65,623)**	**(82,278)**

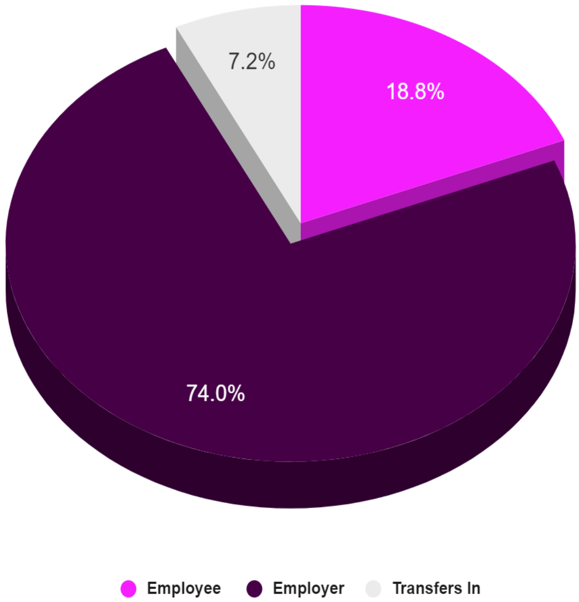
* 6 of the admitted bodies in the Fund that paid contributions during the year ceased membership in the Fund as at 31st March 2024 and have become ceased employers.

Financial Performance Review

Member Cash Flows

Contributions

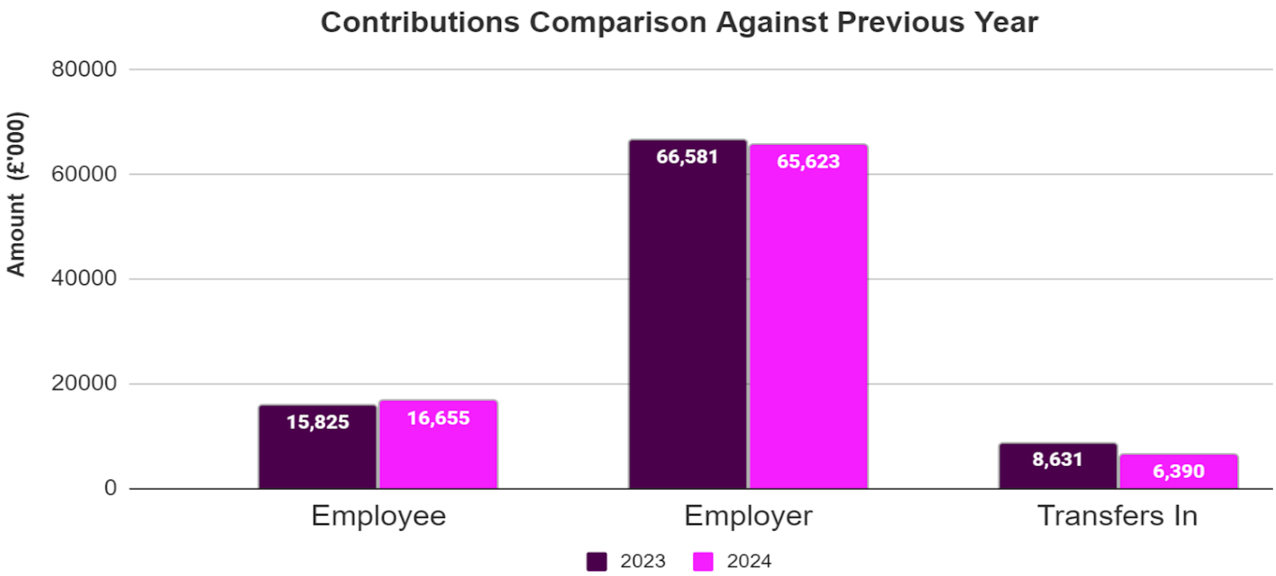
Total contributions (including transfers) into the Fund 2022/23during 2023/24 amounted to £88.7 million compared to £91.0 million for 2022/23. Contributions paid by employees are set by statute and during 2023/24 were in a range of 5.5% up to 12.5% dependent on pensionable pay. Employee contributions amounted to 18.8% of total contribution income during the financial year. Transfers of pension contributions into the Fund from other pension funds amounted to 7.2% 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 2022 actuarial valuation.

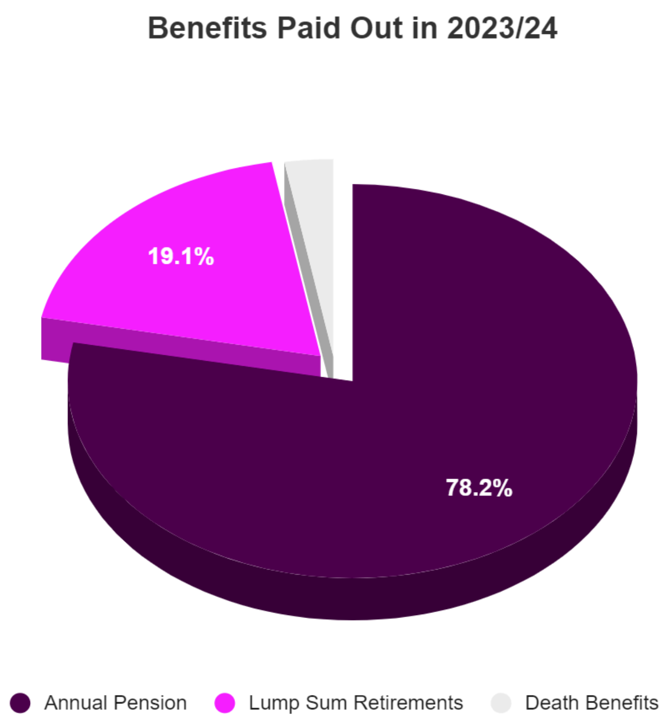
As can be seen from the chart the largest source of contributions remains employers (on behalf of employees and former employees). Employer contributions amounted to 74.0% of contribution income during the financial year.

The chart below shows the actual sums being contributed by employees and employers and the value of transfers-in during the 2023/24 financial year along with comparators for the previous financial year.

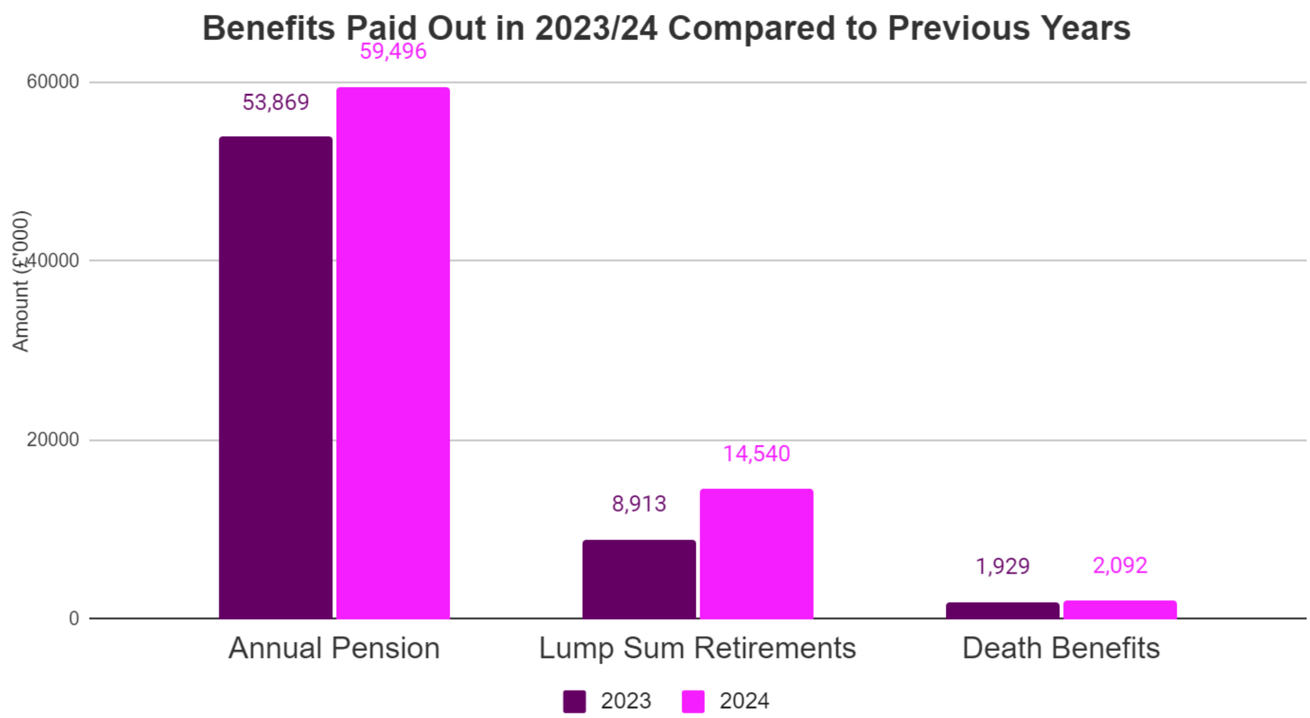


Benefits

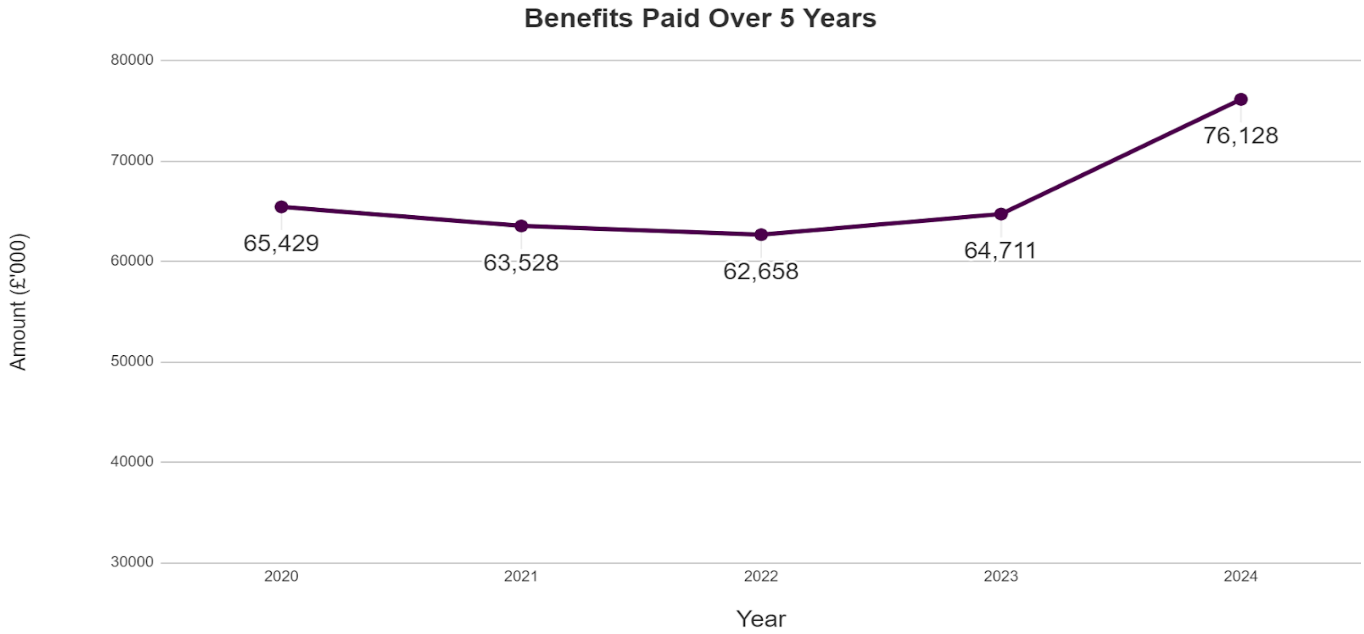
The benefits paid out from the Fund comprise annual pensions, lump sum payments on retiring and, where applicable, death in service payments, whereby lump sums equivalent to 3x final salary are paid out to nominated beneficiaries. Total benefits paid out during 2023/24 amounted to £76.1 million compared to £64.7 million for the year 2022/23. Benefits paid during the year were as follows: 78.2% pensions, 19.1% lump sums and 2.7% death related benefit payments.



Looking at the year-on-year changes, annual pension payments increased by 10.4%, reflecting a slight increase in the number of pensioners by 4.1% and an increase from inflation. Lump sum payments increased by 63.1% 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 by 8.4% over the year, from £1,929k to £2,092k.



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



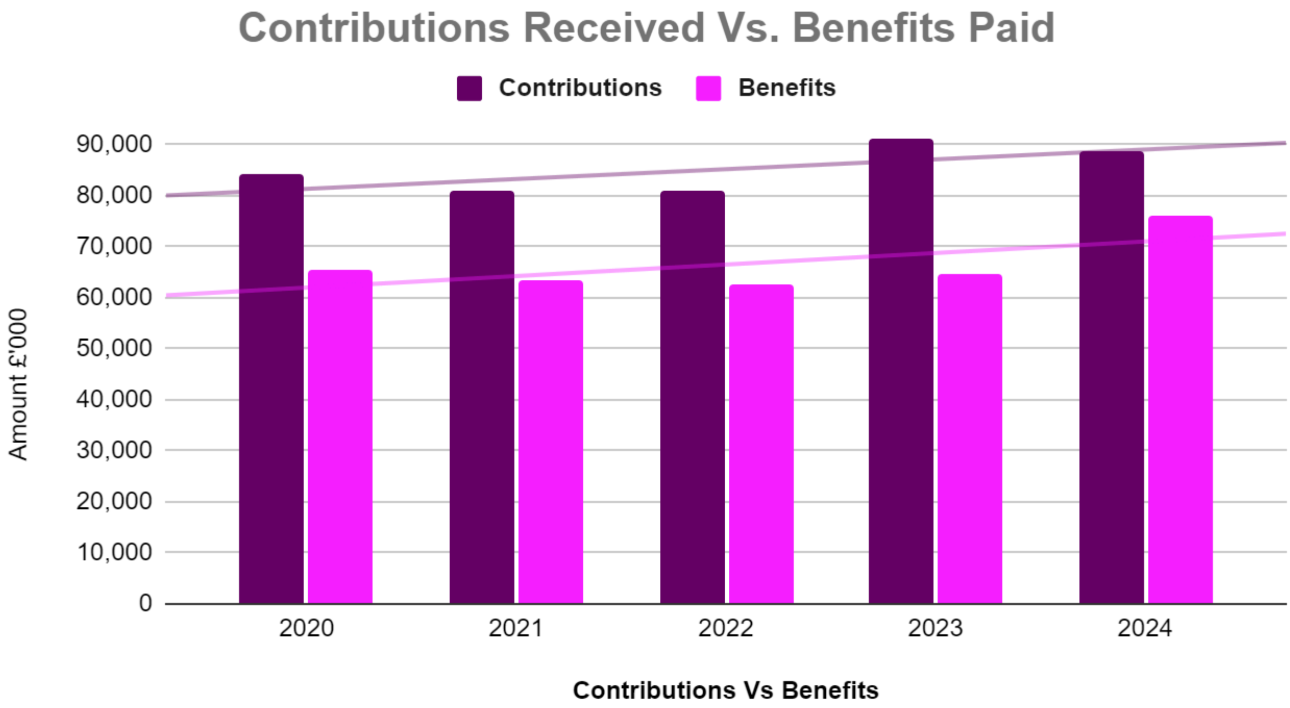
Pension benefits being paid out of the Fund has generally increased over the years, with a moderate rise of 16.4% in 2019/20 and a slight decline in following years, during 2022/23 benefits have returned to a rising trend with an increase of 3.3% over the year and the trend continues during 2023/24 with an increase over the year of 17.6%. 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 £6.4m, compared to £8.6m during 2022/23. The Fund has also paid refunds to members who have opted out of the scheme and made individual transfers to other schemes. For 2023/24 the total value of payments to and on account of leavers was £9.9 million, compared to £10.9 million in 2022/23.

Overall Member Cashflows

Contribution payments into the Fund continue to exceed the sums paid out in benefits each year, maintaining the Fund's cash flow positive position. The chart below provides 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. Compared to the previous year contribution income has reduced by 2.6% whilst benefit expenses increased by 17.6%. The Pensions Committee and delegated officers continue to monitor the cash flow position on a regular basis.



Management Expenses

Management expenses incurred during the year totalled £16.5m (£14.0m in 2022/23), which comprised administrative costs of £1,550k (£1,179k in 2022/23), oversight and governance costs of £1,586k (£1,525k in 2022/23) and investment management costs of £13,319k (£11,272k in 2022/23).

Administrative costs increased by 31.5% during the year, the increase was driven by a number of factors, including costs resulting from the McCloud implementation programme. The Fund also saw an increase in the ongoing cost of its administration contract with Equiniti.

There was a slight increase in its governance costs of 4.0% during the year, the Fund continues to benefit from the use of its advisers and consultants to the Fund.

The increase in investment management costs has been driven primarily by an increase in the value of assets under management and the disclosure of costs through the use of cost transparency templates completed by fund managers.

2023/24 Budget

The Pensions Committee agrees the budget for the Pension Fund on an annual basis and monitors progress regularly, 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 2023/24 relative to the 2023/24 outturn and an analysis of income and expenditure over time. It should be noted that the 2023/24 budget is prepared on the basis of the forecast outturn for 2022/23 as at December 2022 - the difficulty of accurately forecasting certain budget lines can result in the full year outturn differing considerably from the December forecast.

Income from members' activities during 2023/24 was (£88,668k); 4.0% higher than (£85,251k) budgeted. Employer contributions was (£65,623k); 6.6% higher than (£61,559k) budgeted, employee contributions was (£16,655k); 2.0% higher than (£16,335k) budgeted and transfers in was (£6,390k); 13.1% lower than (£7,357k) budgeted.

Employer contributions were (£65,623k) for the year, reduced by 1.4% from (£66,581k) in 2022/23. Following the 2022 triennial valuation, new employer contribution rates were set by the Fund Actuary for 2023/24 which can be found in the rates and adjustment certificate. The Fund's largest contributing employer the Council (administering authority) had a reduction in employer rate from 30.0% to 27.0%. There was a slight increase during 2023/24 in employer rates for the scheduled bodies ranging from 0.0% to 1.8% increase, with a few scheduled bodies seeing a slight reduction in total employer rate for the year. Admitted bodies in the Fund mostly have low membership and relatively lower pension contributions into the Fund; the employer contribution rates vary by employer. The employer contribution rates set have been stabilised for 3 years (2023/24, 2024/25 and 2025/26) with little to no change on employer rates; the employer rates are the minimum rates as a percentage of payroll that employers can expect to pay, employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

Employee contributions were (16,655k) for the year, a rise of 5.2% from (£15,825k) in 2022/23. Employee contributions are paid to the Fund as a percentage of actual pensionable pay according to the contribution band for active members. The Council's pay increase for 2023/24 was 4% for Hackney employees. Active members have the option to contribute to the Fund at the main scheme rates or the 50/50 scheme rate, active members also have the option to pay additional pension contributions.

Accurately forecasting and budgeting for transfers in and out is challenging as they are driven by member behaviour; in the absence of other information the budget for 2023/24 was set on the estimated outturn from 2022/23. Transfers in was (£6,390k) during 2023/24; 13.1% lower than (£7,357k) budgeted, transfers out (including contribution refunds) was £9,867k during 2023/24; 13.1% lower than £11,355k budgeted.

Membership in active members increased by 4.9% during 2023/24 from 7,855 to 8,239.

Expenditure from members' activities during 2023/24 was £85,995k; 2.1% lower than £87,832k budgeted. Annual pension benefits was £59,496k; 6.5% lower than £63,625k budgeted, lump sum commutations and death grants was £16,632k, 29.4% higher than £12,852k budgeted and transfers out (including refunds) was £9,867k; 13.1% lower than £11,355k budgeted.

The most significant change to budgeted member expenditure for 2023/24 was the 10.1% CPI uplift which was applied to member benefits from April 2023. Annual pension benefits during 2023/24 were £59,496k; 10.4% higher than the outturn of 53,869k for 2022/23. The rise of 10.4% is broadly in line with the inflation increase expectation applied to the outturn of 2022/23. The rising trend of members expenditure compared to members income is tightening the funding gap and impacting the Fund's cashflow.

Lump sum commutations and death in service benefits was £16,632k for 2023/24 compared to £10,842k in 2022/23. The significant increase was driven by the inflation uplift to benefits and member choice to commute a proportion of annual pension into lump sum payments.

It should be remembered that 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 when setting the budget. However, over the longer term, the Fund is maturing and the ratio of pensioner and deferred members 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.

Management expenses during 2023/24 was £16,455k; 7.5% higher than £15,314k budgeted. Administrative expenses was £1,550k; 4.2% lower than £1,618k budgeted, investment management expenses was £13,319k; 4.2% higher than £12,779 budgeted and oversight and governance costs was £1,586k; 73.0% higher than £917k budgeted.

The Fund has seen a significant increase of 82.6% in administration costs over the last 3 years from £849k in 2020/21 to £1,550k in 2023/24. A rise in the price of the Fund's third party administration contract and projects such as McCloud, GMP reconciliation and upgrade to the Fund's administration system have contributed to the rise in administration costs. Administration costs increased by 31.5% from £1,179 in 2022/23 to £1,550k in 2023/24; the Fund was able to capture most of these rising costs in the Fund's budget with administration expenses 4.2% under budget for 2023/24.

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 to budget 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. The net value of investment assets increased by 9.5% from £1,843,657k at the end of 2022/23 to £2,019,134k at the end of 2023/24, investment management expenses increased by 18.2% from £11,272k in 2022/23 to £13,319k in 2023/24; these expenses for the year were 4.2% over budget for 2023/24. It should be noted that the majority of investment management costs do not impact on the Fund's cashflows, as they are deducted directly from the value of the Fund's investment portfolio.

Volatility in the Fund's investment income level makes producing a reliable full year estimate to budget challenging; investment income for the year was (£34,559k); 79.5% higher than (£19,252k) budgeted for 2023/24 and 57.6% higher than investment income of (£21,933k) for 2022/23. Income distributed from equities holdings during the year contributed towards the significant increase. The Fund also had an investment strategy review and funding strategy review during the year following the 2022 actuarial valuation and made some changes to asset allocation with further implementation expected to follow into 2024/25.

Overall, the Fund's income and expenditure from operations was a net deficit of £13,782k for 2023/24; 23.0% lower than a net deficit of £17,895k budgeted. The 2023/24 outturn before accounting for investment performance was a net surplus of (£20,777k) against a budget of (£1,357k).

The table below shows a comparison of income and expenses for the year against budget:

	2023/24	2023/24	2023/24	2023/24
	Budget	**FY Outturn**	**Variance**	**Variance**
	£'000	**£'000**	**£'000**	**%**
Members Income				
Employers Contributions	(61,559)	(65,623)	(4,064)	6.6%
Employees Contributions	(16,335)	(16,655)	(320)	2.0%
Transfers In	(7,357)	(6,390)	967	-13.1%
Total Members Income	**(85,251)**	**(88,668)**	**(3,417)**	**4.0%**
Members Expenditure				
Pensions	63,625	59,496	(4,129)	-6.5%
Lump Sum Commutations & Death Grants	12,852	16,632	3,780	29.4%
Transfers Out	11,210	9,657	(1,553)	-13.9%
Refund of Contributions	145	210	65	44.8%
Employer Exit Credits	0	0	0	0.0%
Total Members Expenditure	**87,832**	**85,995**	**(1,837)**	**-2.1%**
Net (additions)/withdrawals from dealings with members	**2,581**	**(2,673)**	**(5,254)**	
Management Expenses				
Administrative Costs	1,618	1,550	(68)	-4.2%
Investment Management Expenses	12,779	13,319	540	4.2%
Oversight & Governance Costs	917	1,586	669	73.0%
Total Management Expenses	**15,314**	**16,455**	**1,141**	**7.5%**
Net (surplus)/deficit from operations	**17,895**	**13,782**	**(4,113)**	
Investment Income				
Investment Income	(19,252)	(34,559)	(15,307)	79.5%
Net Investment Income/Expenditure	**(19,252)**	**(34,559)**	**(15,307)**	**79.5%**
Budget before Investment Performance	**(1,357)**	**(20,777)**	**(19,420)**	

The table below shows a comparison of income and expenses over time:

	2020/21 FY Outturn	2021/22 FY Outturn	2022/23 FY Outturn	2023/24 FY Outturn	1 Year Change	3 Year Change
	£'000	£'000	£'000	£'000	%	%
Members Income						
Employers Contributions	(62,330)	(61,452)	(66,581)	(65,623)	-1.4%	5.3%
Employees Contributions	(13,996)	(14,652)	(15,825)	(16,655)	5.2%	19.0%
Transfers In	(4,625)	(5,026)	(8,631)	(6,390)	-26.0%	38.2%
Total Members Income	**(80,951)**	**(81,130)**	**(91,037)**	**(88,668)**	**-2.6%**	**9.5%**
Members Expenditure						
Pensions	50,708	51,261	53,869	59,496	10.4%	17.3%
Lump Sum Commutations & Death Grants	12,820	11,397	10,842	16,632	53.4%	29.7%
Transfers Out	6,185	8,157	10,721	9,657	-9.9%	56.1%
Refund of Contributions	209	160	145	210	44.8%	0.5%
Employer Exit Credits	0	97	0	0	0.0%	0.0%
Total Members Expenditure	**69,922**	**71,072**	**75,577**	**85,995**	**13.8%**	**23.0%**
Net (additions)/withdrawals from dealings with members	**(11,029)**	**(10,058)**	**(15,460)**	**(2,673)**		
Management Expenses						
Administrative Costs	849	785	1,179	1,550	31.5%	82.6%
Investment Management Expenses	9,988	13,020	11,272	13,319	18.2%	33.4%
Oversight & Governance Costs	1,166	1,369	1,525	1,586	4.0%	36.0%
Total Management Expenses	**12,003**	**15,174**	**13,976**	**16,455**	**17.7%**	**37.1%**
Net (surplus)/deficit from operations	**974**	**5,116**	**(1,484)**	**13,782**		
Investment Income						
Investment Income	(20,119)	(19,252)	(21,933)	(34,559)	57.6%	71.8%
Net Investment Income/Expenditure	**(20,119)**	**(19,252)**	**(21,933)**	**(34,559)**		

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 was reappointed as the Fund's 3rd party pension administration provider during 2017/18, with the terms of the new contract taking effect from 1 July 2018. The contract has since been extended to 31 December 2025.

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 2023/24 was £1,550k compared to £1,179k in 2022/23. This increase was the result of work on the McCloud implementation, as well as an increase in the monthly cost of the administration contract.

The performance of the Fund administrator, Equiniti, is monitored by the Pensions Administration Team within the Financial Services Section at Hackney Council. The team monitors Equiniti's performance with reference to the Service Level Agreement (SLA). 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.

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.

The Fund's website is available for members, employers, and non-members, to find information on the LGPS www.hackneypension.co.uk. The site includes a members' area, with details of the benefits of being in the scheme, pension forms, relevant news items and how to contact either Equiniti or the in-house administering authority's pension team. All relevant forms and member guides are kept up to date and are available on the website. The employer's area has been enhanced and now includes details of the LGPS procedures and administration guides. Copies of the Fund's LGPS administration, governance and investment policies e.g., Pension Fund Report & Accounts, Communications Policy and the Pension Administration Policy (PAS) can also be found here. The website helps members access up to date and relevant information, as well as reducing member and employer postal and telephone calls for information.

Dispute Resolution

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 fact sheet also provides full details of how and when to contact MoneyHelper, and the Pension Ombudsman, if members are wanting to seek some additional guidance and assistance with the appeal process.

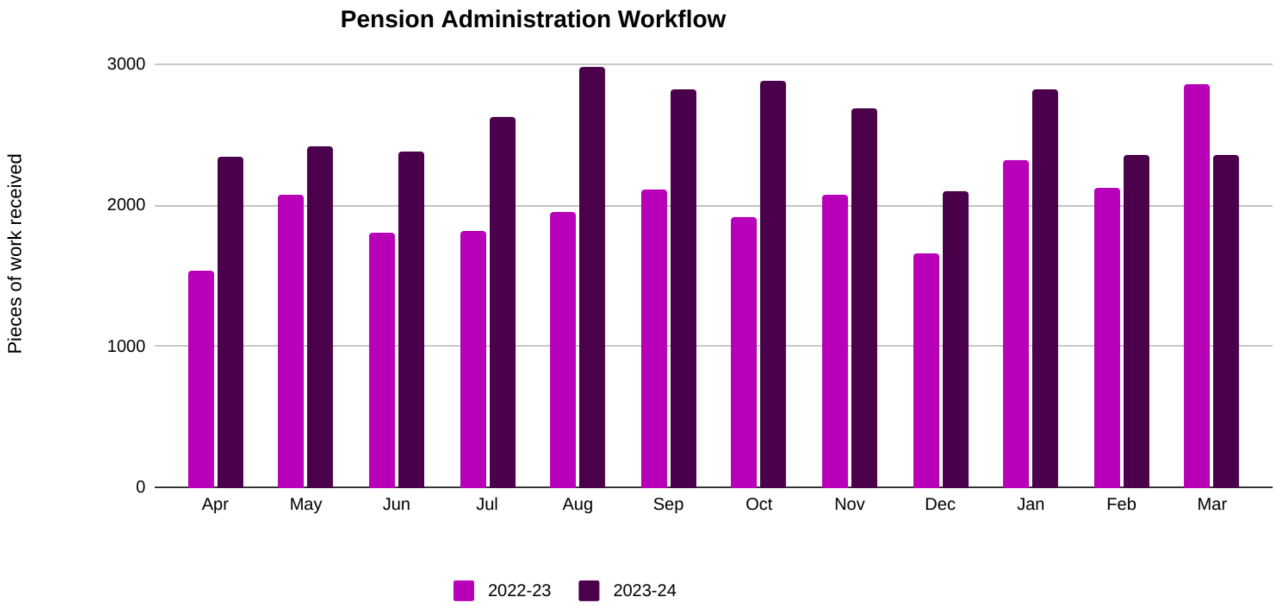
The number of received IDRP cases in the year was 14. The analysis is as follows:

Case Type	Resolution
Pension Saving Statement Dispute (Stage 1)	Upheld - compensation was offered
Pension Saving Statement Dispute (Stage 2)	Upheld - compensation was offered
Ill Health retirement dispute (Stage 1)	Not Upheld
Historical transfer out claim (Stage 2)	Not Upheld
Pension Saving Statement Dispute (Stage 1)	Upheld -compensation was offered
Pension Saving Statement Dispute (Stage 2)	Upheld- compensation was offered
Ill Health retirement dispute (Stage 1)	Partially Upheld- was sent back to the employer for reassessment under the ill health process
Ill Health retirement dispute (Stage 1)	Partially Upheld- was sent back to the employer for reassessment under the ill health process
Survivors pension dispute (Stage 1)	Not Upheld
Survivors pension dispute (Stage 2)	Not Upheld
Record and data dispute (Stage 1)	Not Upheld
Record dispute (Stage 1)	Upheld- compensation was offered
Transfer out dispute (Stage 1)	Not upheld
Ill Health retirement dispute (Stage 1)	Not Upheld

Administration Management Performance

As stated above, the performance of the administrators, Equiniti, is monitored by the Pensions Administration Team within the Financial Services Section at Hackney Council. Monthly service review meetings are held to review and discuss Equiniti's performance against service level agreements, as well as wider case, project and legislative work.

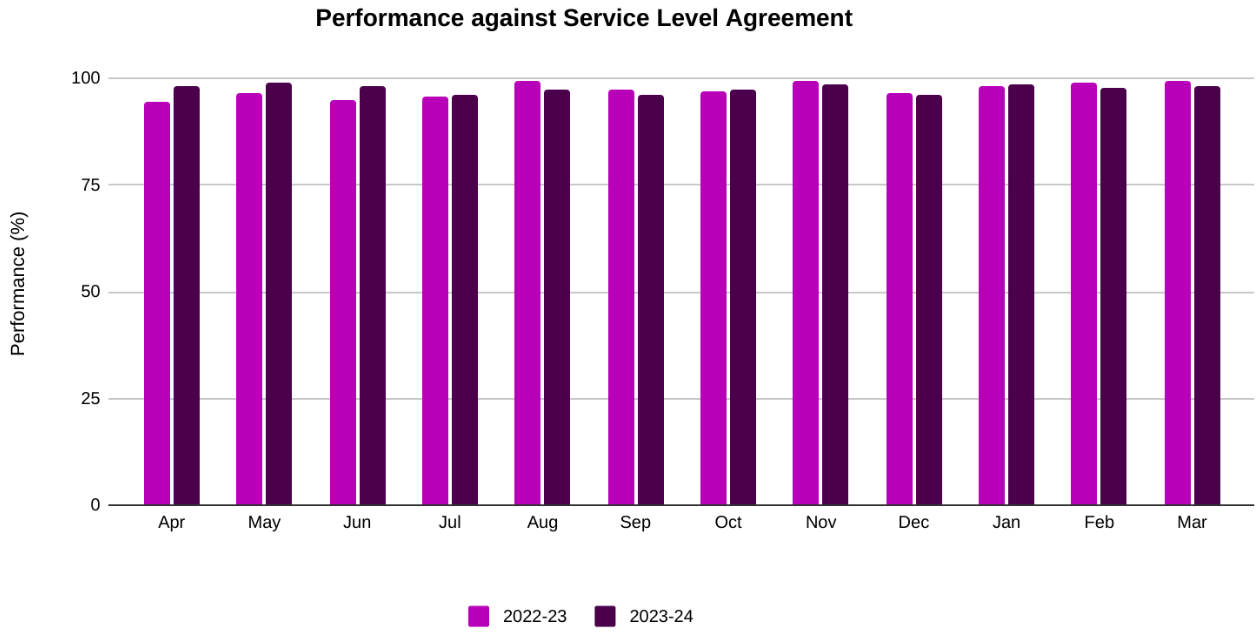
Over the last year the total cases received by the administrators have increased from 24,255 cases in 2022/23, to 30,765 in 2023/24, an increase of 6,510 cases. The average number of cases received monthly has increased significantly to 2,564 from 2,021 in 2022/23. The administrators have seen an increase in work items around starters and leavers in the scheme and transfers in and out. The workload for 2023/24 in comparison to 2022/23 is shown in the chart below:



Below is the number and trend of the top case types the administrators have dealt with in the year 2023/24:

Case Type	Number in Year
Death Notifications	578
Leavers including opt outs	4,433
New Entrants	1,728
Transfer In	1,781
Transfer Out	1,551
Retirement Quote	1,961
Retirement Finalisations	802
Divorce	78

Performance under the pension administration contract when compared to the service level agreement (SLA), was 97.4% for 2022/23 as a whole, and performance has held steady at 97.7% for the year 2023/24. The administration performance v SLA during 2022/23 in comparison to 2023/24 is shown in the chart below:



It is clear that despite a rise in work levels the administration performance has remained steady this year as reflected in the SLA performance targets. However, administration of the LGPS remains challenging and time intensive. The administering authority continues to monitor performance through the monthly SRMs (service review meetings) with Equiniti, and work with Equiniti to help improve the service for members.

There were a total of 37 complaints made against the administrator from members of the Fund in the reporting year, which equates to 0.12% of the total workload. Of the 37 complaints, 23 were upheld and a correction and/or an apology was made by the administrator.

Value for Money

The cost of administration in 2023/24 was £1,550K, compared to £1,179K in 2022/23. 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 £55.94 based on the current cost and membership at 31 March 2024, compared to £44.64 per member at 31 March 2023. The pension administration contract was reviewed during the year and a market evaluation was carried out.

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 17 employers
  - Data submission for Club Vita longevity studies
  - Cessation valuation calculations for a ceased employer
  - Monthly HEAT data capture report to the Actuary
- Overpayment of pensions - identified overpayments to a value of £92,090 occurred during the year. These were mainly as a result of late death notifications and administrative errors. Out of these overpayments £33,692 has been recovered.

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. By 31st August 2023, the Fund had sent out 6,595 annual benefit statements to active members. Another 314 were sent during September as member records with queries on were worked through. A total of 7,238 statements to its deferred members were sent by the legal deadline of 31 August 2023. Another 160 records were worked through during September that contained data queries. Some 1,585 deferred statements could not be issued due to no verified address being held. The process was much improved this year with the Fund working closely with Equiniti on internal controls and processes. A Fund Newsletter was included with the statements and was also sent to all pensioners- covering the latest Fund news and LGPS developments.

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 have since switched to remote sessions and these have continued into 2023/24, with sessions being held throughout the year. Affinity provides the facilitator, learning material and bookings for the seminars/workshops free of charge to the Fund. Feedback from the sessions has been very positive.

Annual Employers’ Forum - The annual Employers’ Forum was held on 5 March 2024, and was held in person. A number of Employers and payroll providers were represented and topics covered included an actuarial update, year end processing reminder and a round up of pension “hot topics”. Feedback from the day was very positive from those that attended but the Fund is now thinking of ways to reach some of those Employers who do not attend these annual events, to see how they can be encouraged to participate.

Redundancy Exercises for Departmental Budget Purposes - In 2023/24, the administering authority's pension team received a total of 480 redundancy estimate requests, some of these were for members over the age of 55 who will have their pension released.

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 2023 to March 2024			
Deferred to Ill Health	Active to Tier 1	Active to Tier 2	Active to Tier 3
4	6	1	3

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 were 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. The LGPS rules changed from 1 October 2023 and are retrospective back to 1 April 2014.

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

- identify those in scope of the 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.

Remedial work will be required for a significant number of the Fund's scheme members and is resource intensive. 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.

A Programme to implement the changes in the regulations has been set up with key officers from Hackney pensions, team members from Equiniti and consultants from Aon (providing Programme management, and technical assurance).

The Fund has made good progress, with all ongoing member events e.g. current retirements, having a McCloud underpin calculation performed. Data collection for those impacted has been collected and validated. The rectification piece has been held up due to delays in final Regulations and guidance.
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 current PAS 2022-2025 was approved in March 2022.

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 a hybrid of in person and 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. An induction video also gets given to all new employees of the Council, which as the largest employer, is really important to ensure a large proportion of new members are provided with information on the benefits of the Pension Scheme. 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 2023/24, 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.

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

Late Submission	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Total
Contributions	1	1	3	0	0	0	3	0	1	3	3	5	20
HK221 Data	2	1	3	3	1	0	2	0	0	1	3	1	17
Levy Raised	2	1	3	0	1	0	2	0	0	2	2	0	13

New & Ceasing Employers

During the year the Fund has admitted 7 new employers and 8 contracts has ceased; breakdown is as follows:

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
Manor House Development Trust		01/04/2023	TBC
London Development Trust	01/04/2023		
Ultraserve (St Mary's)		01/04/2023	TBC
Atlantic Cleaning (St Mary's)	01/04/2023	30/06/2023	
CleanTec (Shoreditch Park)	20/08/2023		
Olive Dining (Millfields)	01/09/2023		
Harrison Catering Services (Mossbourne Parkside)	01/09/2023		
Fuel 4 Learning (Betty Layward)	01/09/2023		
CleanTec (Millfields)	01/09/2023		
SND Cleaning (Our Lady's and St Joseph)		30/06/2023	TBC
May Harris (Shoreditch Park)		19/08/2023	TBC
Radish (Betty Layward)		31/08/2023	TBC
Compass (Cardinal Pole)		31/08/2023	TBC
CleanTec (Thomas Fairchild)		31/08/2023	TBC

During the year there were some changes within scheduled employers in the Fund with 1 school converting to an academy and 2 academies joining a multi-academy trust (MAT). A breakdown of the changes are shown in the table as follows:

Employer	Date Change
Haggerston School (Community Schools Trust)	01/09/2023
The Excelsior Academy (Community Schools Trust)	01/09/2023
Skinners' Academy (Skinners' Academies Trust)	01/09/2023

Data

In order to improve the Fund data the largest employer in the Fund, the Council, uses Employer Self Service (ESS) for the monthly data collection which directly flows onto the administration system. This system has data validation at the point of entry and the data is rejected if it's not within set parameters. This has helped improve the quality of data held by the Fund. A few smaller employers also use this method of data submission.

For those employers who have not gone live on the system, member data, which can include the monthly contribution payment and supporting data, is sent to Equiniti using the secure upload facility. This can only be accessed by authorised users 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 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 necessary data reports were run in February 2024 by Equiniti with the scheme scoring 92% for common data and 91% for scheme specific data. From the results of this, a number of issues and associated risks were identified and are being progressed and monitored by Equiniti and the Fund.

Changes introduced by the Public Service Pensions Act 2013, have meant that from the 1st 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 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 2023/24, one breach was reported to tPR in relation to inadequate Pension Board Membership. Due to resignations over a short period of time the Pensions Board was not able to meet enough during the year to fulfil its legal obligations. Recruitment has since taken place and a full board has now been appointed and meetings have recommenced.

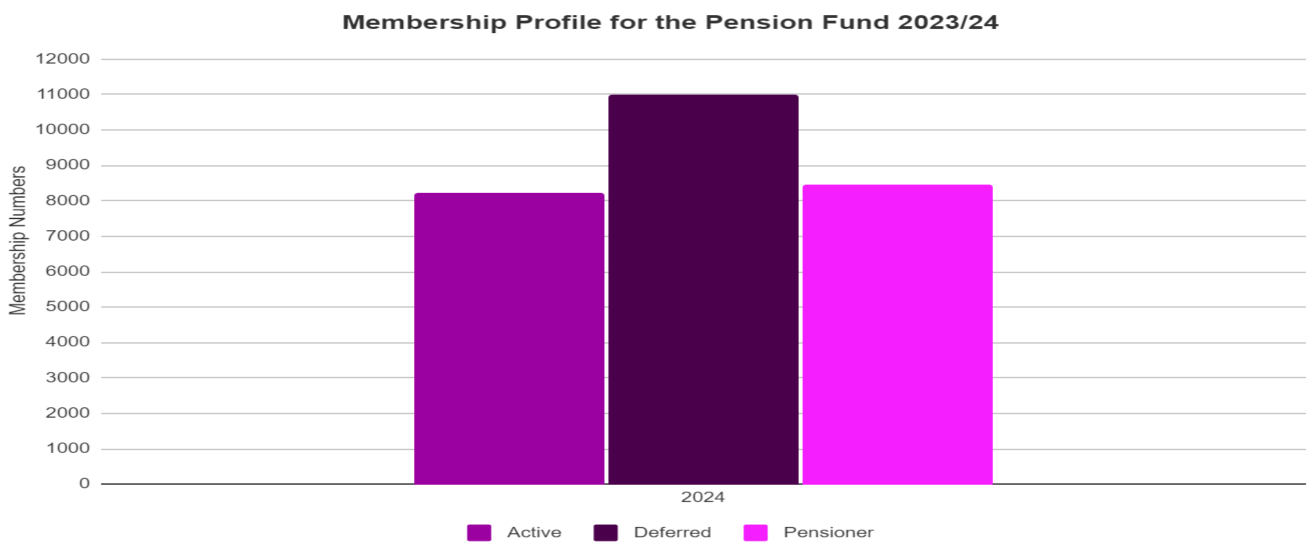
Actions taken to deal with Fraud

The Fund has policies and procedures in place to prevent and report fraud which are regularly reviewed to ensure the risk of fraud is minimised. The Fund has strong governance arrangements and internal controls to mitigate risks of fraud from members, officers of the Fund and external service providers. Internal Audit assists in the implementation of strong internal controls. Fund Managers have to provide an annual internal controls report; SSAE16 and ISAE3402 or similar documentation. The Fund makes use of the National Fraud Initiative and life certificates to identify fraud and overpayments. Officers of the Fund are not aware of any instances of fraud, credit losses, provisions, contingent liabilities, or impairments during the year.

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 increased by 4.9% over the last financial year. Deferred membership has increased by 5.6% and Pensioners have increased by 4.1%. Overall, membership has increased by 4.9%, from 26,408 to 27,710 members.

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

Membership of the scheme has increased slightly over the past years, with pensioners increasing year on year too.

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 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 Risk Register is reviewed by the Committee on a quarterly basis; the quarterly report 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. Fraud
    e. Failure of external systems
    f. Business continuity failure
    g. External factor / regulatory risk
    h. Incorrect advice from third parties
    i. Cybercrime risk
    j. Material breaches

2. Funding and Investment Risks
    a. Asset risk (e.g. concentration, illiquidity, currency risk, manager underperformance)
    b. Funding/liability risk (e.g. level of employer contributions, actuarial assumptions, pensions increases)
    c. Implementation/external provider risk (e.g. transition risk, custody risk, credit default, asset pooling risks)
    d. External factor/regulatory risk
    e. Employer covenant/affordability risk
    f. Cashflow risk
    g. Inflation increase

3. Administration and Communications Risks
    a. Poor delivery of administration service
    b. Poor membership data
    c. Poor employer engagement
    d. Poor member engagement
    e. Incorrect payments (e.g. under/over payments)
    f. Unknown external factors
    g. Regulatory changes (e.g. McCloud, pension dashboards)
    h. Poor member communications and resources
    i. Service interruption due to admin system upgrade

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
- 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 transitioned 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 2023 and 31 March 2024.

Asset Class 2023/24	Target Allocation	Actual Allocation 31/03/2023	Actual Allocation 31/03/2024
Equities	40.0%	50.0%	53.8%
Bonds	10.0%	16.4%	15.3%
Property	10.0%	8.7%	7.2%
Private Debt	10.0%	6.8%	7.1%
Senior Loans	10.0%	7.8%	6.4%
Renewables	5.0%	2.2%	2.5%
Diversified Growth (Multi-Asset)	0.0%	7.0%	0.0%
Multi-Asset Credit	5.0%	0.0%	6.5%
Impact Property	5.0%	0.0%	0.0%
Natural Capital	5.0%	0.0%	0.0%
Other investments (inc. MMFs)	0.0%	1.1%	1.2%
Total	**100.0%**	**100.0%**	**100.0%**

Asset Class 2022/23	Target Allocation	Actual Allocation 31/03/2022	Actual Allocation 31/03/2023
Global Equities (inc. UK)	36.0%	49.0%	45.9%
Emerging Market Equities	4.5%	3.9%	4.1%
Total Equities	**40.5%**	**52.9%**	**50.0%**
Property	10.0%	9.7%	8.7%
Multi Asset	7.5%	7.3%	7.0%
Infrastructure (Renewables)	5.0%	1.3%	2.2%
Bonds	17.0%	17.9%	16.4%
Private Debt (Private Debt and Senior Loans)	20.0%	10.5%	14.6%
Other investments (inc. MMFs)	0.0%	0.4%	1.1%
Total	**100.0%**	**100.0%**	**100.0%**

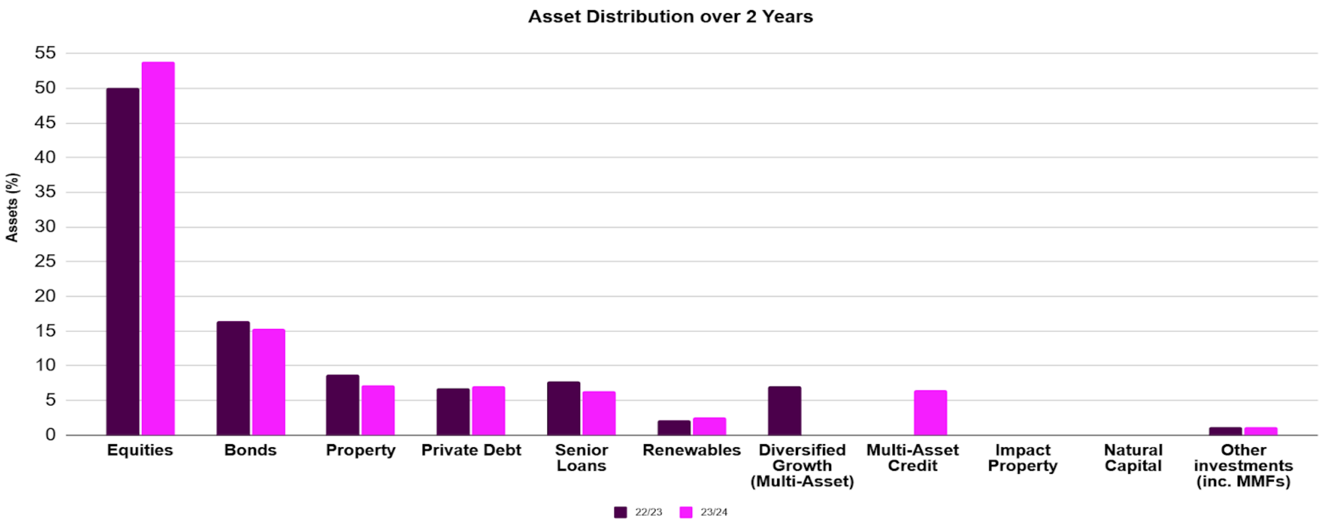
The Investment Strategy Statement (ISS) was updated during 2023/24 with changes to the target asset allocation and new asset classes for the Fund. The Funding Strategy Statement (FSS) was also updated during 2023/24. The ISS and FSS has been revised following the results of the 2022 actuarial valuation to align strategies for the Fund.

In line with the Investment Strategy implementation plan, the Fund made changes to its asset allocation during the year and began transition of assets into new asset classes. The Fund fully divested its holdings in a multi-asset diversified growth fund during the year and invested in a multi-asset credit fund with a 6.5% allocation at year-end. The overweight in multi-asset credit against its target of 5% will be monitored and reviewed by the Pension Committee.

As a result of the previous investment strategy, the Fund's private debt and infrastructure mandates continued to draw down capital during 2023/24. The allocations to private debt and infrastructure are being funded from the Fund's global equity and ultra short bond portfolios. The Fund is therefore currently overweight in global equities by 13.8% and overweight in bonds by 5.3% relative to its target allocation of 40.0% and 10.0% respectively.

New investments into the new asset classes impact property and natural capital are expected to commence during 2024/25.

The following chart sets out how the distribution across the various asset classes has changed between the start of April 2023 and the end of March 2024.



Global equities allocation has increased by 7.6% during the year as a result of performance on equities. Bond allocation has seen a decrease of 6.7% over the year with a gradual move towards the target allocation. Property allocation has decreased by 17.2% as a result of divestments within the pooled property fund. Private debt and Renewables has increased by 4.4% and 13.6% respectively as capital drawdowns by the Fund's private debt and renewable infrastructure managers continued during the year. Investments in diversified growth was fully divested during 2023/24 to 0.0% allocation (7.0% asset allocation as at 31st March 2023). New investments in multi-asset credit during the year had a 6.5% asset allocation by year-end. Investments into Impact Property and Natural Capital did not commence during 2023/24 with 0.0% allocation at year-end; these asset classes are as a result of strategy change as shown in the ISS and are expected to commence during 2024/25. Other investment assets such as money market fund securities are held for operational purposes and short term liquidity; there was a slight increase in allocation from 1.1% to 1.2% over the year.

The table below sets out the Fund's managers and the asset classes they manage as at 31 March 2023 and 31 March 2024.

Fund Manager	Value £'000	% of total fund	Value £'000	% of total fund
	2023/24	2023/24	2022/23	2022/23
Investments managed by London CIV:				
BlackRock (Global Equity Index)	439,429	21.8%	351,381	19.06%
LCIV/RBC (Global Active Equity)	338,698	16.8%	292,417	15.86%
LCIV/JP Morgan (Global Emerging Markets)	74,469	3.7%	75,477	4.09%
LCIV/Baillie Gifford (Global Multi Asset)	-	-	128,813	6.99%
LCIV/Baillie Gifford (Global Equities)	232,504	11.5%	200,473	10.87%
LCIV/Churchill & Pemberton (Private Debt)	143,434	7.1%	125,391	6.80%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	50,964	2.5%	40,267	2.18%
LCIV/CQS, PIMCO (Multi-Asset Credit)	131,772	6.5%	-	-
	1,411,270	**69.9%**	**1,214,219**	**65.86%**
Investments managed outside of London CIV:				
BlackRock (Ultra Short Bond Fund)	96,059	4.8%	100,131	5.43%
Threadneedle (Fixed Interest)	211,196	10.5%	204,660	11.10%
Threadneedle (Property)	145,078	7.2%	159,485	8.65%
Churchill (Private Debt)	49,370	2.4%	61,779	3.35%
Permira (Private Debt)	80,963	4.0%	83,363	4.52%
Other investments (including MMFs)	25,198	1.2%	20,020	1.09%
	607,864	**30.1%**	**629,438**	**34.14%**
Total	**2,019,134**	**100.0%**	**1,843,657**	**100.0%**

The Fund changed custodian throughout the year from HSBC until August 2023 to Northern Trust from September 2023.

Through appropriate diversification, the Fund's investment strategy helps to meet one of the key objectives set out in the Funding Strategy Statement (FSS), which is to use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency. The FSS sets out the key funding information required by employers in the Fund.

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 has been measured against a customised benchmark. Over the year to 31st March 2024, the Fund returned 0.5% above the benchmark of 9.7%.

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 2024, the Fund has measured performance against benchmark by asset class.

Performance against benchmark by fund manager for 2023/24 is set out in the table below:

	Inception Date	Since Inception (Annualised if >12m)			1 Year Performance			3 Year Performance		
		Fund	Bench mark	Excess	Fund	Bench mark	Excess	Fund	Bench mark	Excess
Pooled Assets										
LCIV Global Alpha Growth Paris-Aligned	Sep 2021	-2.1%	8.7%	-10.8%	16.0%	20.2%	-4.2%	N/A	N/A	N/A
LCIV Emerging Markets Equity	Sep 2021	-4.9%	-1.4%	-3.5%	-1.3%	6.6%	-7.9%	N/A	N/A	N/A
LCIV Sustainable Equity	Jun 2018	9.6%	11.5%	-1.9%	15.9%	21.5%	-5.6%	5.2%	12.0%	-6.7%
LCIV Private Debt	Mar 2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LCIV Renewable Infrastructure	Mar 2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Assets Under Pool Management										
BlackRock - Global Equities	Jun 2018	11.0%	10.6%	0.3%	26.3%	25.6%	0.7%	9.9%	9.5%	0.5%
BlackRock - Low Carbon Equities	Jun 2018	11.4%	11.0%	0.4%	24.5%	24.1%	0.4%	11.5%	11.0%	0.4%
Assets Not Pooled										
Threadneedle Bonds	Sep 2003	4.3%	3.9%	0.4%	0.5%	0.6%	-0.1%	-6.5%	-7.0%	0.4%
BlackRock Short Bonds	Feb 2019	1.8%	1.6%	0.1%	5.1%	5.0%	0.1%	2.5%	2.4%	0.1%
LCIV Multi-Asset Credit	Mar 2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Churchill - Senior Loans	Dec 2018	6.4%	6.5%	-0.1%	N/A	N/A	N/A	N/A	N/A	N/A
Permira - Senior Loans	Dec 2019	8.1%	7.0%	1.1%	N/A	N/A	N/A	N/A	N/A	N/A
Threadneedle Property - TPEN	Mar 2004	5.5%	4.8%	0.6%	0.5%	-0.7%	1.2%	2.4%	1.5%	0.9%
Threadneedle Property - Low Carbon	May 2016	-4.7%	N/A	N/A	-22.9%	N/A	N/A	-16.6%	N/A	N/A
Fund-Level Metrics					**10.2%**	**9.7%**	**0.5%**			

LCIV Global Alpha Growth Paris Aligned Fund delivered a return of 16.0% over 1 year, underperforming the benchmark by 4.2%. Over the last 12 months the performance of the fund has generally improved but has remained volatile, with NVIDIA, AIA, Alnylam and Chewy being the top detractors from relative performance. Towards the end of March 2024, a review of the fund was undertaken by Londn CIV but there was no change to its monitoring status.

LCIV Emerging Market Equity Fund delivered a return of -1.3% over 1 year, underperforming the benchmark by 7.9%. Underperformance was mainly driven by weak stock selection, particularly within financials. The fund focuses on companies with 'quality growth' characteristics which underperformed this quarter in comparison to 'value' stocks. Performance contribution through sector allocation was moderately positive, driven by an overweight to information technology and underweight to materials. LCIV's next Investment Due Diligence is scheduled for the quarter ending 30 September 2024 and the fund will be monitored closely until then.

LCIV Sustainable Equity Fund delivered a return of 15.9% over 1 year, underperforming the benchmark by 5.6%. Over the quarter ending 31 March 2024, the market remained favourable for the investment manager to add value as growth stocks performed well and the outlook for interest rates was constructive. Stock selection was a strong provider of returns and particularly in the information technology sector. Three out of the five biggest detractors of relative performance this quarter were holdings in the financial sector. LCIV's in-depth review of the Fund at the end of March 2024, brought to light concerns about performance and consequently the decision to update the Fund's status to 'Enhanced' monitoring.

BlackRock Global Equities Fund delivered a return of 26.3% over 1 year, outperforming the benchmark by 0.7%. Over the quarter ending 31 March 2024 the fund performed broadly in line with the benchmark, as expected for a passive fund.

BlackRock Low Carbon Equities Fund delivered a return of 24.5% over 1 year, outperforming the benchmark by 0.4%. Over the quarter ending 31 March 2024 the fund performed broadly in line with the benchmark, as expected for a passive fund.

Threadneedle Bonds delivered a return of 0.5% over 1 year, underperforming the benchmark by 0.1%. Sterling credit assets outperformed government bonds whilst both a long duration position and curve steepeners hindered performance. The Pension Fund was overweight in credit risk, which proved favourable for performance in the quarter ending 31 March 2024 with credit spreads tightening.

BlackRock Ultra Short Bonds delivered a return of 5.1% over 1 year, performing in line with the benchmark of 5.0%.

LCIV Multi Asset Credit Fund was invested by the Pension Fund towards the end of March 2024 so no performance reporting is available.

Churchill Senior Loans, the net internal rate of return of the fund was 6.4% over the quarter ending 31 March 2024, with the fund having drawn c.96% of its commitments as at 31 March 2024.

Permira Senior Loans, the net internal rate of return of the fund was 8.1% over the quarter ending 31 March 2024, with the fund having drawn c.87% of its commitments as at 31 March 2024.

LCIV Private Debt Fund, as at 31 December 2023, the fund had drawn 96% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.

LCIV Renewable Infrastructure Fund, as at 31 December 2023, the fund had drawn 77% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.

Columbia Threadneedle Pension Property Fund (TPEN) delivered a return of 0.5% over 1 year, outperforming the benchmark by 1.2%.

Columbia Threadneedle Low Carbon Property Fund delivered a return of -22.9% over 1 year. The fund has been winding down, with the valuations reflecting the sales prices that will be realised. Over the quarter ending 31 March 2024, the final 2 properties in the investment portfolio were sold. 63 Kew Road, Richmond was sold in January 2024 at a realised loss of 53.5% on book cost, whilst Premier House, Twickenham was sold in March 2024 at a realised loss of 41.9% on book cost.

Investment Management Expenses

Investment management expenses for the year to 31 March 2024 was £13.3m, up by 18% from £11.3m in 2022/23. The increase has been driven primarily by an increase in the value of assets under management. Investment management expenses cover the fees charged by the Fund's individual investment managers, the London CIV and the Fund's Custodian.

Fund managers are asked to disclose their fees in line with the categories set out in the Cost Transparency Initiative (CTI) template; which include ad-valorem management fees, performance fees, custody fees and transaction costs. Since the introduction of using CTI templates, the Fund has been able to report on management fees with greater transparency with the majority of Fund managers able to report on a quarterly and/or annual basis.

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

Investment Management Expenses	Management Fees	Transaction Costs	Custody Fees	Performance Related Fees	Total
2023/24	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	343	19	-	-	362
Global Equities	2,384	685	120	-	3,189
Property	2,575	188	-	49	2,812
Private Debt	2,057	225	40	-	2,322
Senior Loans	1,912	-	7	-	1,919
Infrastructure	646	44	48	-	738
Diversified Growth	853	919	10	-	1,782
Multi-Asset Credit	-	145	-	-	145
Custodian	-	-	50	-	50
Total	**10,770**	**2,225**	**275**	**49**	**13,319**

Investment Management Expenses	Management Fees	Transaction Costs	Custody Fees	Performance Related Fees	Total
2022/23	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	363	107	-	-	470
Global Equities	2,436	889	134	-	3,459
Property	2,726	623	-	113	3,462
Private Debt	78	-	8	-	86
Senior Loans	1,910	1	7	-	1,918
Infrastructure	39	-	4	-	43
Diversified Growth	848	938	12	-	1,798
Multi-Asset Credit	-	-	-	-	-
Custodian	-	-	36	-	36
Total	**8,400**	**2,558**	**201**	**113**	**11,272**

Pool Reporting

The Fund began the process of pooling its assets during 2018/19. The Fund has been a member of the London CIV (LCIV) since its inception during 2014, and has carried out 3 major transfers of assets to the pool, in 2018/19, 2021/22 and 2023/24.

The Fund made an asset allocation change during 2023/24 with full divestment in diversified growth and a new investment in multi-asset credit; the transition of funds maintained within the LCIV moving from one sub-fund to another. As at 31st March 2024, the Fund held 48.1% (46.8% at 31st March 2023) of assets via the London CIV (LCIV) regional asset pool, and 21.8% (19.1% at 31st March 2023) of assets (passive global equities) in passive funds overseen by LCIV under pool management. The Fund's assets can therefore be considered to be 69.9% pooled (an increase from 65.9% at 31st March 2023); the Fund looks to invest through the pool in the first instance and will consider new opportunities as they arise.

The Fund carried out a full review of its investment strategy during 2023/24, the results of the changes in asset allocation is likely to result in further increases to the proportion of assets pooled.

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:

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total
	£'000	£'000	£'000	£'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	25	25	25	250
Other costs (development fee)	-	-	-	75	65	65	85	85	85	76	536
TOTAL SET UP COSTS	**25**	**175**	**25**	**100**	**90**	**90**	**110**	**110**	**110**	**101**	**936**
Transition costs:											
Transition fees (fees and commissions)	-	-	-	-	352	-	-	1,100	-	145	1,597
Other transition costs (taxes & other charges, bid-offer spread, pooled fund spread)	-	-	-	-	636	-	-	(3,800)	-	-	(3,164)
TOTAL TRANSITION COSTS	**-**	**-**	**-**	**-**	**988**	**-**	**-**	**(2,700)**	**-**	145	**(1,567)**

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 assets into pooled arrangements. The majority of costs (and profits) to date have been incurred through the significant transition exercises the Fund undertook during 2018/19 and 2021/22 and 2023/24 to move various assets 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 from April 2017 to March 2024; the development fee was reduced for 2023/24 as a result of the fee savings achieved by the London CIV. The Fund has contributed £150k in regulatory capital for the London CIV and this is held as a long-term investment asset on the Fund's balance sheet.

Pooling costs and savings to date:

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	25	175	25	100	90	90	110	110	110	101	**936**
Transition costs	-	-	-	-	988	-	-	(2,700)	-	145	**(1,567)**
Fee savings	-	-	-	-	(230)	(668)	(637)	(976)	(1004)	(889)	**(4,404)**
Net Savings Realised	**25**	**175**	**25**	**100**	**848**	**(578)**	**(527)**	**(3,566)**	**(894)**	**(643)**	**(5,035)**

The table above presents the Fund's cost of pooling against its fee savings derived to date. The analysis of fee savings has been provided by the London CIV and sets out the estimated fee savings generated from both the Fund's mandates held directly by the CIV and its passive equity mandates, which are held by BlackRock via life funds and an ACS, but overseen by the CIV. The analysis of transition costs has been prepared by the transition managers involved in the Fund's two major transitions, during 2018/19 and 2021/22, the transition cost of 145k during 2023/24 was the fee charged by the fund managers for new investment in the London CIV Multi-Asset Credit sub-fund.

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 2024, set up and transition costs are outweighed by estimated transition profits and fee savings. At an estimated £4,404k, cumulative estimated fee savings was the main contributor.

Whilst the Fund has made significant fee savings since the introduction of asset pooling, actual fees paid have continued to increase as a result of a rise in the value of Assets Under Management (AUM) and a shift towards more complex, illiquid assets with higher fees.

Pooling assets:

The table below shows the Fund's net assets split by pooled, under pool management and not pooled:

Asset Values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
	£'000	**£'000**	**£'000**	**£'000**
Equities	645,671	439,429		1,085,100
Bonds			307,255	307,255
Property			145,078	145,078
Multi Asset Funds	131,772			131,772
Private Debt	143,434		130,333	273,767
Infrastructure	50,964			50,964
Derivatives			335	335
Cash and Net Current Assets			24,863	24,863
Total	**971,841**	**439,429**	**607,864**	**2,019,134**

"Pooled" means that the investment has been made in a collective investment vehicle or segregated management arrangement for which the LGPS asset pool (London CIV) is accountable (by regulation or contract). As at 31st March 2024, 48.1% of net investment assets has been pooled.

"Under pool management" means that the pool is responsible for the oversight or discretionary management of the investment, whether or not procured through the pool, (including passive market index tracker funds procured before pooling). As at 31st March 2024, 21.8% of net investment assets was under pool management.

"Not pooled" means that the asset is neither pooled nor under pool management. As at 31st March 2024, 30.1% of net investment assets were not pooled. The Fund has not pooled these assets during the year mainly due to similar asset classes not readily available within the pool.

The table below shows an estimate of the the Fund's investment assets invested in the UK split by pooled, under pool management and not pooled:

Asset Values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
	£'000	**£'000**	**£'000**	**£'000**
UK Listed Equities		154,294		154,294
UK Government Bonds			139,234	139,234
UK Infrastructure	16,448			16,448
Total	**16,448**	**154,294**	**139,234**	**309,976**

UK Listed Equities - Includes amounts invested in equities listed on a recognised UK exchange (irrespective of the underlying operations of the company).

UK Government Bonds - Include amounts invested in UK government bonds

UK Infrastructure - Refers to amounts invested in infrastructure assets that are located on the land or territorial waters of the UK (or where the physical cable / asset connection is to the UK), irrespective of the domicile of the vehicle through which the investment is made.

Actuarial Review

Background

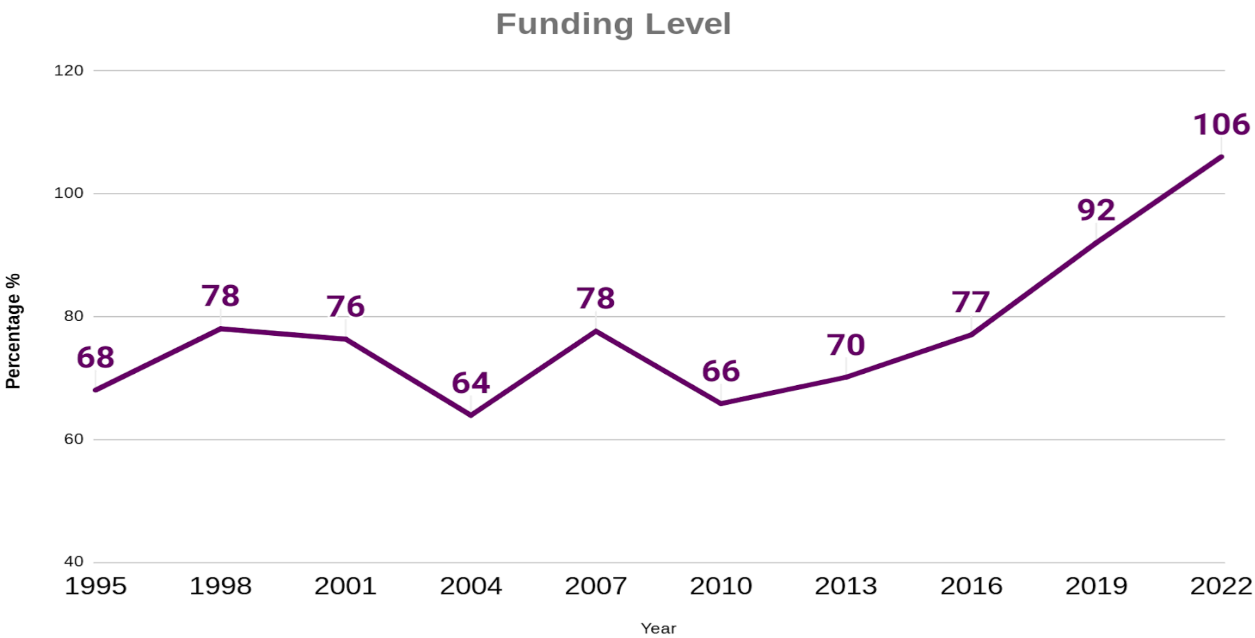
The primary objective of the Pension Fund is to provide for members' pensions and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefit basis. The Fund has to ensure that any surplus contributions and investment income are invested 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 31st March 2022, which showed an improvement in the funding position, from 92% to 106%, since the previous valuation in 2019. The most significant drivers behind this improvement were greater than expected investment returns and contributions greater than the cost of pensions accrual. The monetary value of the funding position over the three year period changed from a deficit of £131m to a surplus of £104m.

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 (FSS). The FSS in force during 2023/24 aligns with the results of the 2022 valuation and has been included within this Report and Accounts.

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 2022 valuation, which applied during the year 2023/24, assessed the whole fund primary contribution rate as being 20.4% (18.7% in 2022/23), with a secondary rate monetary contribution of £13.868m (£21.900m in 2022/23). 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 for the year ending 31st March 2024 was 27.0% (30.0% in 2022/23).

The next actuarial valuation will be based as at 31 March 2025.

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 Pensions Team, 4th Floor, Hackney Service Centre, 1 Hillman Street, London, E8 1DY.

Report of the Fund Actuary

London Borough of Hackney Pension Fund (“the Fund”)
Actuarial Statement for 2023/24

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

• take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants

• use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)

• where appropriate, ensure stable employer contribution rates

• reflect different employers’ characteristics to set their contribution rates, using a transparent funding strategy

• use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

• manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,965 million, were sufficient to meet 106% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £104 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 Mar 2022 % p.a.
Discount Rate	4.3% pa
Salary Increase assumption	3.2% pa
Benefit Increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.2 years
Future Pensioners (aged 45 at the 2022 Valuation)	22.8 years	25.8 years

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA

14 May 2024

For and on behalf of Hymans Robertson LLP

Independent Auditor's Statement

Independent auditor's statement to the members of London Borough of Hackney on the pension fund financial statements included within the London Borough of Hackney Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2024 included within the London Borough of Hackney Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Hackney for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

I have not considered the effects of any events between the date I signed my report on the full financial statements 21 February 2025 and the date of this statement.

Respective responsibilities of the Group Director of Finance and the auditor

As explained more fully in the Statement of the Group Director of Finance Responsibilities, the Group Director of Finance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Hackney as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Hackney.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Hackney describes the basis of our opinions on the financial statements.

Use of this auditor's statement

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 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Hackney those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Hackney and London Borough of Hackney's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Mark Kirkham, Partner
For and on behalf of Forvis Mazars LLP

5th Floor, 3 Wellington Place, Leeds, LS1 4AP

21 February 2025

Statement of Responsibilities

The Authority's Responsibilities

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

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers (the Chief Financial Officer) has responsibility for the administration of those affairs. The Group Director of Finance fulfils that responsibility.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the London Borough of Hackney Pension Fund's 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 Fund as at 31 March 2024 and of its income and expenditure for the year ended 31 March 2024.

Jackie Moylan
Group Director, Finance

Statement of Accounts 2023/24

Fund Account

2022/23 £'000		Notes	2023/24 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(82,406)	Contributions	7	(82,278)
(8,631)	Transfers in from other pension funds	8	(6,390)
(91,037)			(88,668)
64,711	Benefits	9	76,128
10,866	Payments to and on account of leavers		9,867
75,577			85,995
(15,460)	**Net (additions)/withdrawals from dealings with members**		**(2,673)**
13,976	Management Expenses	10	16,455
(1,484)	**Net (additions)/withdrawals including fund management expenses**		**13,782**
	Returns on investments		
(21,933)	Investment income	11	(34,559)
116,534	(Profit) and losses on disposal of investments and changes in the market value of investments	12c	(158,801)
1	Taxes on Income		-
94,602	**Net returns on investments**		**(193,360)**
93,118	**Net (increase)/decrease in the Fund during the year**		**(179,578)**
1,964,512	**Opening net assets of the Scheme**		**1,871,394**
1,871,394	**Closing net assets of the Scheme**		**2,050,972**

Net Assets Statement

31 March 2023 £'000		Notes	31 March 2024 £'000
1,826,183	Investment Assets	12a	2,128,521
150	Long-Term Investment	12a	150
18,112	Cash Deposits	12a	25,632
1,844,445			**2,154,303**
(788)	Investment Liabilities	12a	**(135,169)**
1,843,657	**Net Value of Investment Assets**	12a	**2,019,134**
489	Long-term Debtors	19	583
30,698	Current Assets	20	35,563
(3,450)	Current Liabilities		(4,308)
27,737			**31,838**
1,871,394	**Net Assets of the Fund available to fund benefits at the period end**		**2,050,972**

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 18.

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 2023/24, 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 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 2024 there are 37 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2024	31 March 2023
Number of Employers with active members	37	37
Number of Employees in scheme		
Council	7,285	7,096
Scheduled bodies	908	718
Admitted bodies	46	41
Total	**8,239**	**7,855**
Number of pensioners		
Council	7,748	7,441
Scheduled bodies	65	61
Admitted bodies	12	11
Ceased Employers	645	625
Total	**8,470**	**8,138**
Deferred members		
Council	9,060	8,565
Scheduled bodies	951	880
Admitted bodies	44	22
Ceased Employers	946	948
Total	**11,001**	**10,415**
Grand Total	**27,710**	**26,408**

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 2024.

Employee contributions are set by statute and employers' contributions are set based on the triennial actuarial funding valuations, both are paid into the Pension Fund. The last valuation was at 31 March 2022 with the next valuation due to take place on 31 March 2025. Current employer contribution rates were set from the 31 March 2022 valuation and can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2023/24 or within the Actuarial valuation on the Pension Fund Website:- https://hackneypension.co.uk

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 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 and the functions of the Pension Fund will continue in operational existence for the foreseeable future.

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 26) basis, is disclosed in Note 18 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.

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).

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.

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 2023/24, £70k of fees were estimated for the last quarter of the year (2022/23: no fees estimated).

A similar procedure is used for custodian fees, and in 2023/24 £21k of fees were estimated for the last quarter of the year (2022/23: £4k of 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 2024 (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 15). 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 2024 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. Any gains or losses arising from exchange rate differences are accounted for as part of the change in market value of investments.

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 an annual basis by the scheme actuary in accordance with the requirements of IAS 26 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 18).

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 21).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgments in applying the accounting policies during 2023/24.

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.

Unquoted Investment Assets

The Fund's unquoted investments (such as private debt and infrastructure) are not regularly traded and are valued using techniques that require significant judgement in determining appropriate assumptions. The valuation of these investments therefore involves a degree of uncertainty. Additionally, the Fund relies on obtaining investor reports and financial statements from the relevant fund managers; the difficulties inherent in valuing these investments means that pricing information may not be available in a timely fashion.

Within the financial statements, these assets are held at fair value £325m at 31 March 2024 (£311m at 31 March 2023) in accordance with the requirements of the Code and IFRS 13. They are classified at Level 3 i.e. assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. More detail on the basis of valuation and key sensitivities for these assets can be found in Note 15.

6. EVENTS AFTER THE BALANCE SHEET DATE

This version of the Statement of Accounts was authorised for issue by the Group Director of Finance on 21 August 2024. There have been no events since 31 March 2024, up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2023/24	2022/23
	£'000	£'000
Employers' Contributions split by:		
Normal Funding	(50,439)	(42,466)
Deficit Funding	(15,184)	(24,115)
Members' Contributions	(16,655)	(15,825)
Total	**(82,278)**	**(82,406)**

By Employer	2023/24	2022/23
	£'000	£'000
London Borough of Hackney	(77,593)	(78,350)
Scheduled Bodies	(4,473)	(3,795)
Admitted Bodies	(212)	(261)
Total	**(82,278)**	**(82,406)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

	2023/24	2022/23
	£'000	£'000
Individual Transfers	(6,390)	(8,631)
Total	**(6,390)**	**(8,631)**

9. BENEFITS PAYABLE

By Category	2023/24	2022/23
	£'000	£'000
Pensions	59,496	53,869
Commutation and Lump Sum Retirement Benefits	14,540	8,913
Lump Sum Death Benefits	2,092	1,929
Total	**76,128**	**64,711**

By Employer	2023/24	2022/23
London Borough of Hackney	70,996	60,112
Scheduled Bodies	3,324	2,993
Admitted Bodies	1,808	1,606
Total	**76,128**	**64,711**

10. MANAGEMENT EXPENSES

	2023/24	2022/23
	£'000	£'000
Administrative Costs	1,550	1,179
Investment Management Expenses*	13,319	11,272
Oversight and Governance Costs	1,586	1,525
Total	**16,455**	**13,976**

*The investment management expenses disclosed above include non-invoiced management costs, transaction costs and other costs paid/payable to the Fund's investment managers of £12m (2022/23: £10m). Audit scale fees of £73k (2022/23: £16k) were incurred and are included in Oversight and Governance Costs in the above table, given the increased scope in audit work, further fees are to be agreed on audit completion for 2023/24 (additional fees of £7k above scale fee were estimated for 2022/23).

11. INVESTMENT INCOME

	2023/24	2022/23
	£'000	£'000
Fixed Interest Securities	(6,428)	(4,002)
Equity Dividends	(13,042)	(6,916)
Index Linked Securities	(332)	(244)
Pooled Investment Income	(13,236)	(9,459)
Interest on Cash Deposits	(1,073)	(224)
Other Income	(448)	(1,088)
Total	**(34,559)**	**(21,933)**

12. 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 2024 £'000	Market value 31 March 2023 £'000
Investment Assets:			
Fixed Interest Securities		**165,711**	**153,404**
Index Linked Securities		**45,485**	**51,256**
Equities	Long-Term Investment	**150**	**150**
Pooled Investments	Corporate Fixed Interest	96,059	100,131
	Diversified Growth Funds	-	128,813
	Property	145,078	159,485
	Emerging Markets Equity - Active	74,469	75,477
	Global Equity - Active	571,202	492,890
	Global & UK Equity - Passive	439,400	351,352
	Private Debt	273,767	270,533
	Infrastructure	50,964	40,267
	Multi-Asset Credit	131,772	-
		1,782,711	**1,618,948**
Derivative Contracts			
	Forward Currency	1	17
	Futures	401	135
		402	**152**
Other Investment Assets			
	Cash Deposits	25,632	18,112
	Other Investment Balances	134,212	2,423
		159,844	**20,535**
Total Investment Assets		**2,154,303**	**1,844,445**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(37)	-
	Futures	(30)	(508)
		(67)	**(508)**
Other Investment Liabilities		**(135,102)**	**(280)**
Total Investment Liabilities		**(135,169)**	**(788)**
Net Investment Assets		**2,019,134**	**1,843,657**

b. Investments analysed by fund managers

As at 31 March 2024 the Fund's investments are managed by eleven investment managers within the London CIV and four investment managers outside of the London CIV in line with 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
	31 March 2024	31 March 2024	31 March 2023	31 March 2023
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	439,429	21.8%	351,381	19.1%
LCIV/RBC (Global Active Equity)	338,698	16.8%	292,417	15.9%
LCIV/JP Morgan (Global Emerging Markets)	74,469	3.7%	75,477	4.1%
LCIV/Baillie Gifford (Global Multi Asset)	-	-	128,813	7.0%
LCIV/Baillie Gifford (Global Equities)	232,504	11.5%	200,473	10.9%
LCIV/Churchill & Pemberton (Private Debt)	143,434	7.1%	125,391	6.8%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	50,964	2.5%	40,267	2.2%
LCIV/CQS, PIMCO (Multi-Asset Credit)	131,772	6.5%	-	-
	1,411,270	**69.9%**	**1,214,219**	**65.9%**
Investments managed outside of London CIV:				
Threadneedle (Fixed Interest)	211,196	10.5%	204,660	11.1%
Threadneedle (Property)	145,078	7.2%	159,485	8.7%
BlackRock (Ultra Short Bond Fund)	96,059	4.8%	100,131	5.4%
Churchill (Private Debt)	49,370	2.4%	61,779	3.4%
Permira (Private Debt)	80,963	4.0%	83,363	4.5%
Other investments (including MMFs & Derivatives)	25,198	1.2%	20,020	1.1%
	607,864	**30.1%**	**629,438**	**34.1%**
Total	**2,019,134**	**100%**	**1,843,657**	**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 31/03/2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2024
	£'000	£'000	£'000	£'000	£'000
Bonds	204,660	72,317	(46,653)	(19,128)	211,196
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,618,948	165,933	(180,538)	178,368	1,782,711
Derivative Contracts					
Forward Currency Contracts	17	490	(926)	383	(36)
Futures	(373)	3,966	(2,400)	(822)	371
	1,823,402	**242,706**	**(230,517)**	**158,801**	**1,994,392**
Other Investment balances:					
Cash Deposits	18,112				25,632
Receivable for Sales	463				131,785
Investment Income due	1,960				2,427
Payable for Purchases	(280)				(135,102)
Net Investment Assets	**1,843,657**				**2,019,134**

Investment type	Market Value 31/03/2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2023
	£'000	£'000	£'000	£'000	£'000
Bonds	237,996	101,085	(89,869)	(44,552)	204,660
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,692,901	133,067	(133,226)	(73,794)	1,618,948
Derivative Contracts					
Forward Currency Contracts	(127)	3,971	(3,035)	(792)	17
Futures	267	5,577	(8,821)	2,604	(373)
	1,931,187	**243,700**	**(234,951)**	**(116,534)**	**1,823,402**
Other Investment balances:					
Cash Deposits	4,880				18,112
Receivable for Sales	-				463
Investment Income due	1,846				1,960
Payable for Purchases	-				(280)
Net Investment Assets	**1,937,913**				**1,843,657**

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange and futures contracts settled during the year.

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 2024 £'000	% of total fund	Market Value 31 March 2023 £'000	% of total fund
LCIV Sustainable Equity Fund	338,698	16.5%	292,417	15.6%
BlackRock ACS World Low Carbon Equity Fund	288,209	14.1%	231,637	12.4%
LCIV Global Alpha Growth Paris-Aligned Fund	232,504	11.3%	200,473	10.7%
BlackRock Aquila Life MSCI World Equity Fund	151,220	7.4%	119,745	6.4%
Threadneedle Property Fund (TPEN)	143,930	7.0%	142,136	7.6%
LCIV 'Baillie Gifford' Diversified Growth Fund	-	-	128,813	6.9%
LCIV Private Debt Fund	143,434	7.0%	125,391	6.7%
LCIV Multi-Asset Credit Fund	131,772	6.4%	-	-

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.

13. 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 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 (Threadneedle) 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.

Futures

The Fund's Bond manager, Threadneedle, is permitted to use bond futures for both risk management purposes and to facilitate efficient portfolio management. Specifically, the mandate permits Threadneedle 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.

14. 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	31 March 2024 Fair Value through Profit & Loss	31 March 2024 Financial Assets at amortised costs	31 March 2024 Financial Liabilities at amortised costs	31 March 2023 Fair Value through Profit & Loss	31 March 2023 Financial Assets at amortised costs	31 March 2023 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	165,711	-	-	153,404	-	-
Index Linked Securities	45,485	-	-	51,256	-	-
Equities	150	-	-	150	-	-
Pooled Investments	1,637,633	-	-	1,459,463	-	-
Pooled Property funds	145,078	-	-	159,485	-	-
Derivative Contracts	402	-	-	152	-	-
Cash	-	31,981	-	-	31,228	-
Other Investment Balances	154,230	-	-	11,259	-	-
Debtors	-	9,625	-	-	9,254	-
	2,148,689	41,606	-	1,835,169	40,482	-
Financial Liabilities						
Derivative Contracts	(67)	-	-	(508)	-	-
Other Investment Balances	(135,102)	-	-	(299)	-	-
Creditors	-	-	(3,444)	-	-	(3,450)
	(135,169)	-	(3,444)	(807)	-	(3,450)
Total	**2,013,520**	**41,606**	**(3,444)**	**1,834,362**	**40,482**	**(3,450)**
Grand Total		**2,051,682**			**1,871,394**	

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 2024	31 March 2023
	£'000	£'000
Fair Value through Profit and Loss	157,728	(116,758)
Financial Assets measured at amortised cost	1,073	224
Financial Liabilities measured at amortised cost	-	-
Total	**158,801**	**(116,534)**

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 2024		31 March 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	2,148,689	2,148,689	1,835,169	1,835,169
Financial Assets measured at amortised cost	41,606	41,606	40,482	40,482
Total Financial Assets	**2,190,295**	**2,190,295**	**1,875,651**	**1,875,651**
Financial Liabilities				
Fair Value through Profit and Loss	(135,169)	(135,169)	(807)	(807)
Financial Liabilities measured at amortised cost	(3,444)	(3,444)	(3,450)	(3,450)
Total Financial Liabilities	**(138,613)**	**(138,613)**	**(4,257)**	**(4,257)**
Grand Total	**2,051,682**		**1,871,394**	

15. 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 shareholding in the London Collective Investment Vehicle (LCIV) which has been carried at cost; i.e. transaction price of £150k, as an appropriate estimate of fair value. This is reviewed each year. 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	Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
Cash and cash equivalents	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)	1	Published exchange price at the year-end	Not required	Not required
Amounts receivable from investment sales	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	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	2	Market Value based on current yields	Market Value of securities	Not required
Index Linked Securities	2	Market Value based on current yields	Market Value of securities	Not required
Pooled investments – Equity funds	2	Bid market price at the end of the accounting period	NAV based pricing. Evaluated price feeds.	Not required
Pooled investments – Ultra short bonds	2	Bid market price at the end of the accounting period	NAV based pricing. Evaluated price feeds.	Not required
Pooled investments – Diversified growth funds	2	Bid market price at the end of the accounting period	NAV based pricing. Evaluated price feeds.	Not required
Pooled investments – Multi-Asset Credit	2	Bid market price at the end of the accounting period	NAV based pricing. Evaluated price feeds.	Not required
Forward Foreign Exchange (Derivatives)	2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – Property funds	2	Closing single price at the end of the accounting period	NAV based pricing. Valuation of the underlying property investments is based on CBRE methodology valued in accordance with RICS Red Book valuation standards	Not required
Pooled investments – Private debt funds	3	Based upon the Fund's share of the net assets in the limited partnership using the latest valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period	NAV based pricing set on a forward pricing basis. 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
Pooled investments - Infrastructure fund	3	Based upon the Fund's share of the net assets in the limited partnership using the latest valuations updated for cashflow transactions	NAV based pricing set on a forward pricing basis. Cashflow transactions, i.e. distributions or capital calls. 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

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2024	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	600,476	1,223,332	324,881
Financial Assets measured at amortised cost	41,606	-	-
Total Financial Assets	**642,082**	**1,223,332**	**324,881**
Financial Liabilities			
Fair Value through Profit and Loss	(3,347)	(131,822)	-
Financial Liabilities measured at amortised cost	-	(3,444)	-
Total Financial Liabilities	**(3,347)**	**(135,266)**	**-**
Net Financial Assets	**638,889**	**1,088,066**	**324,881**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2024	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	93,749	71,962	-	165,711
Index Linked Securities	45,485	-	-	45,485
Long-Term Investment Equities	-	-	150	150
Pooled Investment Vehicles	439,429	873,473	324,731	1,637,633
Pooled Property Funds	-	145,078	-	145,078
Derivative Contracts	401	1	-	402
Other Investment Balances	21,412	132,818	-	154,230
Total Financial Assets at FVTPL	**600,476**	**1,223,332**	**324,881**	**2,148,689**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(30)	(37)	-	(67)
Other Investment Balances	(3,317)	(131,785)	-	(135,102)
Total Financial Liabilities at FVTPL	**(3,347)**	**(131,822)**	**-**	**(135,169)**
Net Financial Assets at FVTPL	**597,129**	**1,091,510**	**324,881**	**2,013,520**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	136,794	1,387,425	310,950
Financial Assets measured at amortised cost	40,482	-	-
Total Financial Assets	**177,276**	**1,387,425**	**310,950**
Financial Liabilities			
Fair Value through Profit and Loss	(807)	-	-
Financial Liabilities measured at amortised cost	-	(3,450)	-
Total Financial Liabilities	**(807)**	**(3,450)**	**-**
Net Financial Assets	**176,469**	**1,383,975**	**310,950**

Values at 31 March 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	74,144	79,260	-	153,404
Index Linked Securities	51,256	-	-	51,256
Long-Term Investment Equities	-	-	150	150
Pooled Investment Vehicles	-	1,148,663	310,800	1,459,463
Pooled Property Funds	-	159,485	-	159,485
Derivative Contracts	135	17	-	152
Other Investment Balances	11,259	-	-	11,259
Total Financial Assets at FVTPL	**136,794**	**1,387,425**	**310,950**	**1,835,169**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(508)	-	-	(508)
Other Investment Balances	(299)	-	-	(299)
Total Financial Liabilities at FVTPL	**(807)**	**-**	**-**	**(807)**
Net Financial Assets at FVTPL	**135,987**	**1,387,425**	**310,950**	**1,834,362**

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2023/24	Opening Balance	Transfers into 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	270,533	-	-	8,988	(14,911)	9,157	-	273,767
Pooled Investments - Infrastructure	40,267	-	-	12,262	-	(1,565)	-	50,964
Total	**310,950**	**-**	**-**	**21,250**	**(14,911)**	**7,592**	**-**	**324,881**

2022/23	Opening Balance	Transfers into 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	202,600	-	-	67,418	(15,146)	15,661	-	270,533
Pooled Investments - Property Funds (*1)	187,783	-	(187,783)	-	-	-	-	-
Pooled Investments - Infrastructure	24,900	-	-	10,754	(4,989)	9,602	-	40,267
Total	**415,433**	**-**	**(187,783)**	**78,172**	**(20,135)**	**25,263**	**-**	**310,950**

(*1) Transferred from level 3 to level 2 during 2022-23 due to the increased reliability in the valuation of the property market data following the uncertainty in property related transactions that arose as a result of the Covid-19 pandemic. The underlying property asset valuations are based on the standard CBRE valuation methodology; these assets were held at level 2 prior to 31 March 2020.

The following assets have been carried at cost:

Values at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd			150
Investments held at cost	**0**	**0**	**150**

Values at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd			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 2024 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 2024 and 31 March 2023.

2023/24	Potential Variation in Fair Value	Value at 31 March 2024	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 16.4%	150	175	125
Private Debt	+/- 8.6%	273,767	297,311	250,223
Infrastructure	+/- 14.7%	50,964	58,456	43,472
Total		**324,881**	**355,942**	**293,820**

2022/23	Potential Variation in Fair Value	Value at 31 March 2023	Potential Value on Increase	Potential Value on Decrease
	£'000	£'000	£'000	£'000
Equity	+/- 16.5%	150	175	125
Private Debt	+/- 8.9%	270,533	294,610	246,456
Infrastructure	+/- 14.2%	40,267	45,985	34,549
Total		**310,950**	**340,770**	**281,130**

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

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.

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance, to ensure member benefits are met as they fall due. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

The Fund's activities expose it to a variety of financial risks, including:

- **Investment risk -** the possibility that the Fund will not receive the expected returns.
- **Counterparty and credit risk -** the possibility that other parties might fail to pay amounts due to the Fund.
- **Liquidity risk -** the possibility that the Fund might not have liquid funds available to meet its commitments to make payments as they fall due.
- **Market risk -** the possibility that financial loss might arise as a result of market movements. This is split into the following subsections:
    - **Interest Rate risk -** the risk that future cash flows will fluctuate because of changes in market interest rates.
    - **Currency risk -** the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
    - **Other Price risk -** the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Investment risk

To achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing in an appropriate portfolio of assets, which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty risk

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with property investments and derivative instruments, albeit these are typically used to hedge certain risks, such as foreign currency exposures rather than to generate additional return.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

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.

Some of the assets of the Fund are held by the Fund's current custodian, Northern Trust, with some residual holdings held with the Fund's previous custodian HSBC. 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 custodians 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.

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

Summary	Rating (Fitch)	Balance at 31 March 2024	Balance at 31 March 2023
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	26,367	21,933
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	20,018	8,817
Cash held by fund managers and custodian			
Cash	AA-	5,614	9,295
Total		**51,999**	**40,045**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, particularly pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The Fund's investments contain 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 £274m (£271m at 31 March 2023) and its infrastructure mandate currently valued at £51m (£40m at 31 March 2023). Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst this fund 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.

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 12.

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.

a) Other price risk

The Fund is exposed to other market risks, such as equity price risks, which arise from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The table below indicates a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes.

Asset Class 2024	1 year expected volatility (%)	% of Fund
Active Sustainable Global Equities	15.5	28.7
Passive Global Equities	16.4	7.6
Passive Sustainable Global Equities	15.3	14.5
Active Emerging Market Equities	20.5	3.7
Diversified Growth Fund	-	-
Multi Asset Credit	6.6	6.6
Renewable Infrastructure	14.7	2.6
Property	11.8	7.3
Senior Loans	12.1	7.1
Private Debt	8.6	7.1
Active Global Corporate and Government Bonds	9.3	10.1
Short Bond	9.8	4.8
Total fund volatility	**13.2**	**100.0**

Asset Class 2023	1 year expected volatility (%)	% of Fund
Active Sustainable Global Equities	15.7	26.6
Passive Global Equities	16.5	6.5
Passive Sustainable Global Equities	15.7	12.5
Active Emerging Market Equities	20.7	4.1
Diversified Growth Fund	9.7	7.0
Renewable Infrastructure	14.2	2.4
Property	11.9	9.2
Senior Loans	12.6	7.9
Private Debt	8.9	6.8
Active Global Corporate and Government Bonds	9.6	11.6
Short Bond	10.1	5.4
Total fund volatility	**13.4**	**100.0**

The table below shows the potential impact of volatility on the Fund's asset value. The calculations assume that all other factors and assumptions remain unchanged.

31 March 2024		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	2,019,134	13.2	2,285,660	1,752,608
	2,019,134	**13.2**	**2,285,660**	**1,752,608**

31 March 2023		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,843,657	13.4	2,090,707	1,596,607
	1,843,657	**13.4**	**2,090,707**	**1,596,607**

b) 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 Fund 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 2024 and 31 March 2023 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 2024	Balance at 31 March 2023
	£'000	£'000
Cash Deposits	25,632	18,112
Cash Balances	26,367	21,933
Fixed Interest Securities	393,542	253,535
Total	**445,541**	**293,580**

The Fund 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 considered reasonable inline with advice of the Fund's Investment Advisors.

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 +/- 100 bps change in interest rates:-

Asset Type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
Cash & Cash Equivalents	25,632	256	(256)
Cash Balances	26,367	264	(264)
Fixed Interest Securities*	393,542	(23,613)	23,613
Total	**445,541**	**(23,093)**	**23,093**

Asset Type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
Cash & Cash Equivalents	18,112	181	(181)
Cash Balances	21,933	219	(219)
Fixed Interest Securities*	253,535	(18,255)	18,255
Total	**293,580**	**(17,855)**	**17,855**

* 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 of the bonds and the inverse relationship between bond prices and interest rates.

c) 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.

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2024 and as at the previous period end:

Currency Exposure – Asset Class	Asset Value as at 31 March 2024	Asset Value as at 31 March 2023
	£'000	£'000
Fixed Interest Securities	16,366	11,377
Pooled Private Debt	49,370	61,779
Cash and Deposits	8,481	757
Total	**74,217**	**73,913**

Cash in foreign currencies, overseas fixed interest securities and pooled private debt are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a strengthening/weakening of the pound against foreign currencies during the year. The weighted average of estimated volatilities of foreign currencies held by the Fund was 7.0% at 31 March 2024 and 8.3% at 31 March 2023 based upon PIRC estimated volatilities. 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.

31 March 2024		Potential Change v GBP	Value on increase	Value on decrease
Currency	£'000	%	£'000	£'000
Euro	385	4.3	402	368
Swiss Franc	59	5.8	62	56
US Dollar	8,037	8.3	8,704	7,370
Fixed Interest Securities (Euro)	14,286	4.3	14,900	13,672
Fixed Interest Securities (US Dollar)	2,080	8.3	2,253	1,907
Pooled Private Debt (US Dollar)	49,370	8.3	53,468	45,272
Total Currency	**74,217**	**7.0**	**79,412**	**69,022**

31 March 2023		Potential Change v GBP	Value on increase	Value on decrease
Currency	£'000	%	£'000	£'000
Euro	388	5.3	409	367
Swiss Franc	240	6.7	256	224
US Dollar	129	9.1	141	117
Fixed Interest Securities (Euro)	8,418	5.3	8,868	7,968
Fixed Interest Securities (US Dollar)	2,959	9.1	3,229	2,689
Pooled Private Debt (US Dollar)	61,779	9.1	67,414	56,144
Total Currency	**73,913**	**8.3**	**80,048**	**67,778**

17. 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 2022. The next valuation will take place as at 31 March 2025. The contribution rates for 2023/24 were set at the valuation that took 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.

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

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The 2022 valuation was based on a market value of the Fund's assets as at 31 March 2022, which amounted to £1,965 million and revealed a pension surplus of £104 million, representing a funding level of 106% 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 (20.4%) applying from 1 April 2023 until 31 March 2026 based on the 2022 valuation report are as follows:

Year	Employer Contribution rate
2023/24	20.4%
2024/25	20.4%
2025/26	20.4%

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 an asset-liability model. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables.

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 2022 valuation report assumptions which informed the contributions payable from 1 April 2023 - 31 March 2026 were:

Financial Assumptions based on 2022 Valuation Report

2022 Valuation Assumptions	Rate
Investment return (discount rate)	4.3%
Inflation	2.7% (CPI)
Salary increases	3.2%
Pension increases	2.7% (CPI)

Mortality Assumptions based on 2022 Valuation Report

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

2022 Valuation Mortality assumptions at age 65		Years
Current pensioners	Males	21.5
	Females	24.2
Future pensioners (assumed current age 45)	Males	22.8
	Females	25.8

Commutation Assumption based on 2022 Valuation Report

An allowance is included for 50% of future retirements to elect to exchange pension for additional tax free cash up to HMRC limits.

18. 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 26 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 Fund's triennial funding valuation, (see Note 17), which is used to determine the contribution rates payable by employers.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. The actuarial present value of promised retirement benefits at the accounting date 31 March 2024 is estimated to be £2,045 million (£2,008 million at 31 March 2023).

Present Value of Promised Retirement Benefits	31 March 2024	31 March 2023
	£m	£m
Active members	679	622
Deferred members	503	508
Pensioners	863	878
Total	**2,045**	**2,008**

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022.

The table below shows the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits as at 31 March 2024.

	31 March 2024	31 March 2023
	£m	£m
Net Assets Available for Benefits	2,051	1,871
Present Value of Promised Retirement Benefits	(2,045)	(2,008)
Net Asset / (Liability)	**6**	**(137)**

The figures have been prepared only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS 19 report and are different as at 31 March 2024 and 31 March 2023.

Financial Assumptions

The financial assumptions used for the IAS 26 valuation as at 31 March 2024 are set out in the table below:

Assumption	31 March 2024 % p.a.	31 March 2023 % p.a.
Pension Increase Rate (CPI)	2.80%	3.00%
Salary Increase Rate	3.30%	3.50%
Discount Rate	4.80%	4.75%

Demographic Assumptions

The longevity assumptions used for the IAS 26 valuation as at 31 March 2024 are set out in the below table:

		31 March 2024 Years	31 March 2023 Years
Current Pensioners	Males	21.1	21.2
	Females	23.8	24.0
Future pensioners (assumed to be age 45 at the latest valuation date)	Males	22.2	22.4
	Females	25.3	25.6

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a increase in the Pension Increase Rate (CPI)	2%	34
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. decrease in the Discount Rate	2%	36
1 year increase in member life expectancy	4%	82

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a increase in the Pension Increase Rate (CPI)	2%	32
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. decrease in the Discount Rate	2%	33
1 year increase in member life expectancy	4%	78

Recent Developments

The recent Court of Appeal in the case of Virgin Media Ltd vs NTL Pension Trustees II Ltd was dismissed in July 2024 and the original High Court ruling in June 2023 stands. The June 2023 legal ruling has the potential to invalidate historic scheme benefit changes including the LGPS scheme amendments in 2014 and 2008. No additional liability allowances have been made due to the significant uncertainty of impact on the LGPS. The Government Actuary Department and HM Treasury are looking further into this with further developments to follow.

19. 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 reduced benefits. The following figure represents the balance of amounts paid over to HMRC for those members who have exceeded the life-time or annual-allowance pension tax-free allowance less repayments recovered through a reduction of member benefits on retirement.

	31 March 2024	31 March 2023
	£'000	**£'000**
Long-Term Debtors:		
Reimbursement of LTA and AA	583	489
Total	**583**	**489**

20. CURRENT ASSETS

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

	31 March 2024	31 March 2023
	£'000	**£'000**
Short-Term Debtors:		
Contributions due	6,668	6,666
Sundry debtors	2,374	1,940
Cash Balances	26,367	21,933
VAT	154	159
Total	**35,563**	**30,698**

21. 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 2024 was £4.57 million (£4.73 million as at 31 March 2023). Contributions received into the AVC facility during the year amounted to £0.27 million (2022/23: £0.27 million). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

22. 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 £62.02 million to the Fund in 2023/24 (2022/23: £63.62 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.44 million in 2023/24 (2022/23: £0.44 million) 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.

Members

The London Borough of Hackney Pension Fund Committee is structured with elected members and co-opted members. These members are subject to a declaration of interest circulated on an annual basis. Each member of the Pension Fund Committee is also required to declare their interests at the start of each Committee meeting. There were no material related party transactions between any members or their families and the Fund for 2023/24 and 2022/23.

As at 31 March 2024 there were 3 members of the Pension Fund Committee that had deferred membership in the Fund and 1 member in receipt of pension benefits.

As at 31 March 2023 there were 3 members of the Pension Fund Committee that had deferred membership in the Fund and 1 member in receipt of pension benefits.

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 2024 these employees included: Group Director of Finance, Director of Financial Management, Head of Pensions and Pensions Managers.

All of these employees were also members of the pension scheme. The proportion of employee benefits earned by key management personnel relating to the Fund is set out below:

	2023/24	2022/23
	£'000	**£'000**
Short-term benefits	250	258
Post-employment benefits	106	48
Total	**356**	**306**

The disclosures required by Regulation 7(2) - (4) of the Accounts and Audit (England) Regulations 2011, can be found in the main accounts of the London Borough of Hackney.

23. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2024 were £121m (£142m at 31 March 2023:). 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 2024	31 March 2023
	£'000	**£'000**
Pooled Private Debt Funds	74,110	82,960
Pooled Renewables Infrastructure Fund	47,074	59,336
Total	**121,184**	**142,296**

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's members are elected representatives of Hackney Council alongside a co-opted scheme member representative and co-opted employer representative. The members 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.

This Investment Strategy Statement (ISS) has been prepared after taking advice from the Fund's investment adviser, Redington Ltd.

The ISS, which was approved by the Committee on 28th November 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. In preparing and reviewing its Investment Strategy Statement, the Fund will consult with interested stakeholders including but not limited to Fund employers, investment managers, Local Pension 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 2020).

2 Background to the Fund

2.1 The Legal Requirements

The Local Government Pension Scheme (Management and Investment of Funds) 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 Fund

The Pension Fund 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 Fund members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Fund to meet the cost of funding employee benefits and are required to meet any shortfall in funding the pension liabilities of Fund 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.

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. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

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 sought advice from Redington, its investment consultant, to assist it in setting its most recent investment strategy.

The Fund considers the impact of investment strategy changes through the Pensions Risk Management Framework (PRMF). The framework considers the impact on the Fund's return objectives and risk budget, in addition to the effects on cashflow and the Fund's ESG targets. The proportion of the portfolio invested in pooled assets and the proportion of local or "levelling up" investments are also considered, although not directly rated. The PRMF will also be used to monitor the Fund's investment strategy on an ongoing basis.

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 target investment strategy is set out below in table 4.2.1. 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 2000.

The Fund has committed to investment in a number of less liquid asset classes, including private debt, renewable infrastructure, nature-based solutions and impact property. These investments are expected to take a number of years to be fully invested. Table 4.1 reflects the target position once fully invested.

4.1 Target Fund Allocation

Asset Class	Target Allocation %
Private Debt	10.0%
Senior Loans	10.0%
Natural Capital	5.0%
Impact Property	5.0%
Property	10.0%
Renewables	5.0%
Government Bonds	10.0%
Multi-Asset Credit	5.0%
Global & Emerging Market Equities	40.0%
Total	**100%**

4.2 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 to 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
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	20%

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 2022 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 an 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 is due to review its approach to currency hedging as part of its current investment strategy review.

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 assesses 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.

The Committee also monitors some of the strategic risks faced by the Fund through the Pensions Risk Management Framework (PRMF). The framework considers the impact of strategy changes on the Fund's return objectives and risk budget, in addition to the effects on cashflow and the Fund's ESG targets. The proportion of the portfolio invested in pooled assets and the proportion of local or "levelling up" investments are also considered, although not directly rated.

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 has opened a range of sub-funds covering both liquid and less liquid asset classes.

7.1 *Assets to be invested in the Pool*

The Fund is transitioning assets into the London CIV as suitable investment strategies that meet the asset allocation and investment strategy become available on the London CIV platform. The Fund made its first investments of assets in June 2018 with further investments in September and October 2021. 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 46.8% (£862.8m) of assets invested through mandates directly facilitated by the Pool. The Fund currently holds 19.1% (£351.4m) of its assets in BlackRock pooled equity funds which were facilitated by London CIV and therefore are pooled assets. 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 16.6% (£306.6m) of the Fund in illiquid assets that 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 London CIV
Property	Columbia Threadneedle – Low Carbon Workplace Fund	0.9% (£17.3m)	IPD Quarterly index total return – office sector. Targets outperformance of the benchmark by 1% over rolling 3 year periods.	Illiquid assets - Units do not become redeemable until 5 years from the date of issue. Investment is via Jersey unit trust – whilst it could be held within an ACS structure, the transfer of the property assets could incur significant stamp duty. The Fund has invested in the LCW fund in 2 tranches (May 2016 and October 2016)

Property	Columbia Threadneedle - TPEN	7.8% (£143.4m)	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 at present 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	Columbia Threadneedle	11.1% (£204.7m)	Outperform a customised benchmark (37.5 FTA Govt All Stocks; 37.5% ML £ Non-Gilt All Stocks Index; 25% FTA Govt IL >5yrs) by 1% over a rolling 3yr period	Fund wished to retain strategic allocation and no suitable alternative existed on CIV at initial review – to be reviewed at next review.
Private Debt	Permira	4.5% (£83.4m)	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	3.4% (£61.8m)	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.

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. At the time of writing, the Fund was carrying out its 2023 investment strategy review, with the next review due no later than 2026.

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:

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

Responsible Investment is a key part of the Fund's approach to fulfilling its fiduciary duty. ESG issues can create financially material risks and opportunities; the Fund aims to manage these risks and generate sustainable, long term investment returns.

The management of ESG considerations is therefore a fundamental part of the Fund's overarching investment strategy. The Fund has developed an investment beliefs statement as part of its overarching strategy; the statement includes the following beliefs in relation to ESG and Responsible Investment issues:

- Environmental, social and corporate governance ('ESG') issues can have a material impact on the long-term performance of investments

- The UN Sustainable Development Goals highlight investment risks and potential opportunities as well as areas in which asset owners can have a positive impact

- Engagement with managers, and through them with investee companies, can have a material impact on progress towards the chosen goals as well as on investment performance

- Responsible investing is relevant to the performance of the entire Fund across asset classes

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. The Fund recognises that climate change represents a systemic risk that will have an impact on investment portfolios. It brings significant risks, including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy. The inevitable impact of climate change on investment portfolios means that it is vital to integrate it into investment decision making.

The Fund's ambition is to reach net zero emissions by 2040. To assist it in achieving this ambition, it has set a series of interim targets as follows:

- Achieve a 50% reduction in 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 in line with the Strategic Asset Allocation (SAA) changes and in line with Fund's fiduciary duties.

These targets will be monitored on an annual basis.

The Fund takes non-financial factors into account when selecting, retaining, or realising its investments only where this will not result in significant financial detriment to the Fund and the Fund has reason to believe that scheme members would share its view.

The Committee reviews its approach to non-financial 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 it 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 Fund is not currently a signatory to the FRC's revised Stewardship Code; however, it fully endorses the principles of the Code and plans to make a Stewardship Code submission at the next available opportunity. The Fund expects its external investment managers to be signatories of the Stewardship Code.

The Fund has delegated responsibility for voting rights to the Fund's external investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

Investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Shareholder Committee. London CIV has appointed Hermes EOS to consolidate its voting activities for the segregated funds, whilst for pooled funds the underlying managers remain responsible for providing voting services on London CIV's behalf. In executing votes, both Hermes EOS and sub-fund managers are expected to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so.

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

Welcome to the London Borough of Hackney Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for the London Borough of Hackney Pension Fund.

The London Borough of Hackney Pension Fund is administered by the London Borough of Hackney, known as the administering authority. The London Borough of Hackney worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 30th March 2023.

There's a regulatory requirement for the London Borough of Hackney to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact pension.investments@hackney.gov.uk.

What is the London Borough of Hackney Pension Fund?

The London Borough of Hackney Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.
Different types of employers participate in the fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies
Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. The investment strategy is set out in the Fund's Investment Strategy Statement which can be found on the fund's website.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a ‘prudent longer-term view’ of funding liabilities (see Appendix A)

How is the funding strategy specific to the London Borough of Hackney pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

How does the fund calculate employer contributions?

Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund’s **expenses**.

The fund actuary uses a model to project each employer’s asset share over a range of future economic scenarios. The contribution rate takes each employer’s assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The contribution rate calculation

Type of Employer	Scheduled Bodies			CABs and designating employers		TABs*
Sub Type	**Local Authorities**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low risk exit basis		Contract exit basis, assuming fixed term contract in the Fund
Minimum Likelihood of success	[70%]	[70%]	[70%]	[78%]	[78%]	[73%]
Maximum Time Horizon	[20 years]	[10 years]	[15 years]	[15 years]	[15 years or average future working lifetime, if less]	[Same as the letting employer]
Primary Rate Approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary Rate	% 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
Stabilised Contribution Rate?	Yes	No	No	No	No	No
Treatment of Surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority				Reduce contributions by spreading the surplus over the remaining contract term
Maximum Phasing of Contribution Changes	Covered by stabilisation arrangement	3 years	3 years	3 years	3 years	3 years

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

Making contribution rates stable

- Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

- After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the London Borough of Hackney (as a participating employer in the fund).

For the 3 years from 1 April 2023, the contribution rate for the London Borough of Hackney will be frozen at a rate of 27.0%. Thereafter (from 1 April 2026) the annual increase or decrease in this employer's contribution rate will not exceed 1.0% of payroll.

Stabilisation criteria and limits are reviewed during the triennial valuation process. The administering authority may review them between triennial valuations to respond to membership or employer changes.

Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available in Appendix E. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

What is contribution rate pooling?

The administering authority may operate contribution rate pools for some types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers' contribution rates do not target full funding at exit. While the fund receives the contributions required, the risk that employers will be entitled to a surplus payment (or be required to pay a cessation debt) on exit increases.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

What are the current contribution pools?

The fund does not currently operate any contribution rate pools.

Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to an employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

What additional contributions may be payable?

Pension costs – awarding additional pension and early retirement on non ill health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

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.

Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs. Employers who take out insurance to mitigate against the risk of ill-health strain costs should alert the fund so that an employer contribution rate reduction can be applied if appropriate.

How does the fund calculate assets and liabilities?

How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4.2).

How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees

What is the funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

What happens when an employer joins the fund?

When can an employer join the fund?

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply. More details on this are in Sections 5.3 and 5.4 below.

New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT) which the administering authority has agreed to treat as a funding pool.

Pooled academies pay contributions based on the fund's approach:

Academy pool	Pooling Arrangement	Contribution Rate Approach
Lubavitch Academy Trust	Full risk-sharing of past and future service costs	Common Total Rate
Mossbourne Academy Trust	Full risk sharing of past and future service costs	Common Total Rate

The new academies' contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This may cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

What happens when an employer leaves the fund?

What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body

- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA). If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme

What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

- Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.
- Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The fund's policy on the payment of exit credits is set out in Appendix F (Policy on Cessations).

How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- Spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA).
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The fund's policy regarding employer flexibility on exit is set out in Appendix F (policy on Cessations).

What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations
- the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis at the next triennial valuation

What are the statutory reporting requirements?

Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors. Relative factors include:

1. comparing LGPS funds with each other

2. the implied deficit recovery period

3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark

2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit

3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy

4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate

5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry of Housing, Communities and Local Government (MHCLG), the purpose of the FSS is to document the processes the administering authority uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “persons the authority considers appropriate”. This should include ‘meaningful dialogue … with council tax raising authorities and representatives of other participating employers’.

The consultation process included issuing a draft version to participating employers and attending an open employers’ forum. Any policy changes from the previous version of the FSS were highlighted to employers during this process.

A3 How is the FSS published?

The FSS is:

- published on the administering authority’s website
- sent to each participating employer
- included the in full statement or summary in the fund’s annual report and accounts
- sent to members of the local pension board
- sent to employee/pensioner representatives
- freely available on request.

The FSS is published at www.hackneypension.co.uk

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund’s approach to funding liabilities. It isn’t exhaustive – the fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The fund’s annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at www.hackneypension.co.uk

Appendix B – Roles and responsibilities

B1 The administering authority:

- operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- manages any conflicts of interest from its dual role as administering authority and a fund employer
- collects employer and employee contributions, investment income and other amounts due
- ensures cash is available to meet benefit payments when due pays all benefits and entitlements
- invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- communicates with employers so they understand their obligations safeguards the fund against employer default
- works with the fund actuary to manage the valuation process
- provides information to the Government Actuary's Department so they can carry out their statutory obligations
- consults on, prepares and maintains the funding and investment strategy statements tells the actuary about changes which could affect funding
- monitors the fund's performance and funding, amending the strategy statements as necessary
- enables the local pension board to review the valuation process.

B2 Individual employers:

- deduct the correct contributions from employees' pay
- pay all contributions by the due date
- have appropriate policies in place to work within the regulatory framework
- make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- make any required exit payments when leaving the fund.

B3 The fund actuary:

- prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- provides information to the Government Actuary Department so they can carry out their statutory obligations
- advises on fund employers, including giving advice about and monitoring bonds or other security
- prepares advice and calculations around bulk transfers and individual benefits
- assists the administering authority to consider changes to employer contributions between formal valuations
- advice on terminating employers' participation in the fund 27 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

- internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements governance advisers may be asked to advise the administering authority on processes and working methods
- internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

- The role of the local pension board is set out in the board terms of reference available at https://hackney.gov.uk/how-the-council-works/#cc
- Details of the key fund-specific risks and controls are set out in the risk register

C2 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising or government backed, no individual assessment required	n/a
Colleges	{Detail of initial covenant assessment}	Detail of monitoring arrangements
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	{Detail of initial covenant assessment}	Detail of monitoring arrangements

C3 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. The fund included climate scenario stress testing in the contribution modelling exercise for the London Borough of Hackney at the 2022 valuation. The modelling results under the stress tests yielded likelihoods of success that were slightly lower than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provided assurance that the modelling approach does not significantly underestimate the potential impact of climate change. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for other employers. However, given that the same underlying model is used for all employers and that the London Borough of Hackney makes up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

The ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

D3 What financial assumptions are used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.
The assumptions used to set employer contribution rates at the 2022 valuation were as follows:

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.7%
Low-risk basis	Community admission bodies closed to new entrants	0.0%
Contractor basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.3% applied. This is based on a prudent estimate of investment returns, specifically, that there is a 72% likelihood that the fund's assets will achieve future investment returns of at least 4.3% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0.

There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recent mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	2% of members will choose the 50:50 option

Rates for demographic assumptions

Males

Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		Incidence per 1000 active members per year						
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.20	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.70	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33

Females

Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		Incidence per 1000 active members per year						
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin.

The CPI assumption is based on the median value from Hymans Robertson's ESS model.

Life expectancy assumptions are those described in Section D4, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

In the case of contractors, the letting authority (a scheduled body) guarantees the contractor's admission in the fund, therefore the low-risk exit basis will not apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates at the 2022 valuation, with one adjustment. The discount rate will be derived in a similar manner to that used to allocate assets to the employer on joining the fund, updated for market conditions at the date of the employer's cessation.

Appendix E – Policy on contribution reviews

1. Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for ‘significant change’ to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.

- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

2. Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.

- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.

- Full justification for any change in contribution rates will be provided to employers.

- Advice will be taken from the fund actuary in respect of any review of contribution rates.

- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

3. Policy

3.1 Circumstances for review

The fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an 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 fund within the next two years and before completion of the next triennial valuation;

- there are changes to the benefit structure set out in the LGPS Regulations 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 (e.g. a material change in employer covenant, or provision of additional security);

- it appears to the administering authority that the membership of the employer has changed materially 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.

3.2 Employer requests

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).

The administering authority will require additional information to support a contribution review made at the employer’s request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4. Related Policies

The fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

Appendix F – Policy on cessations

1. Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies.

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:

  a) Notify its intention to make a determination to

  (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer

  (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement

  b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors -

  a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)

  b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions

  c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and

  d) Any other relevant factors

- Regulation 64 (2A) & (2B) – the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

2. Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

3. Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

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

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply:

Type of employer	Cessation valuation basis	Responsible pirates for unpaid or future deficit emerging
Local authority	Low risk exit basis[1]	Shared between other fund employers
Colleges and universities	Low risk exit basis	Shared between other fund employers
Academies	Low risk exit basis	DfE guarantee may apply; otherwise see below
Admission bodies (TABs)	Contractor exit basis[2]	Letting authority (where applicable); otherwise shared between other fund employers
Admission bodies (CABs)	Low risk exit basis	Shared between other fund employers (if not guarantor exists)
Designating employers	Low risk exit basis	Shared between other fund employers (if not guarantor exists)

[1] 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 (e.g. machinery of Government changes), these cessation principles would apply.

[2] Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low risk basis.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.

- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.

- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

3.2 Repayment flexibility on exit payments

Deferred Spreading Arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer’s financial situation.

In this exceptional case, the fund’s policy is:

- The agreed spread period is no more than five years, but the fund could use its discretion to extend this period in extreme circumstances.

- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.

- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.

- Payments due under the DSA may be subject to an interest charge.

- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.

- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.

- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.

- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.

- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority will consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.
- The Administering Authority will normally require:

    - A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).

    - Relevant financial information for the employer such as a copy of its latest accounts,

    - Sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.

- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.

- Regular monitoring of the contribution requirements and security requirements

- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or 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 employer 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 employer.
  - The administering authority serves a notice to the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
  - The Fund actuary assesses that the employer 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. employer is now largely fully funded on their low risk basis).
  - The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed de minimis level and the employer becomes an exiting employer on the calculation date.
  - The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

- On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

Admitted bodies

i) 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 this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.

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.
ii) No exit credit will be payable to any admission body who participates in the fund via an approach which involves pensions risks remaining with the letting authority (commonly referred to as a "fixed contribution rate" or "pass-through" approach)

iii) 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). 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.

iv) The fund will make an exit credit payment in line with any contractual or risk sharing agreements 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 which 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/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.

v) In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined above, the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

vi) 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.

vii) Where a guarantor arrangement 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.

viii) 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 differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

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

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

Scheduled bodies and designating bodies

i) If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

ii) If a scheduled body or resolution body leaves on a low-risk exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i) 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.

ii)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.

iii) 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.

iv) 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.

v) 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.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4. Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).

- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.

- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:

    - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.

    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.

    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).

- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).

- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.

- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.

- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.

- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.2 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

5. Related Policies

The fund’s approach to exiting employers is set out in the FSS, specifically “Section 7 – What happens when an employer leaves the fund?”

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS

Annex A – Rates and Adjustment Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the London Borough of Hackney Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated 27 March 2023. 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 2023 to 31 March 2026. 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 LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

Whole Fund Contribution Rate			
Primary Rate (% of pay)	20.4%		
Secondary Rate (£)	**Financial Year**	**Monetary Amount**	**Equivalent to % of payroll**
	2023/24 2024/25 2025/26	23,543,000 21,348,000 21,900,000	6.2% 6.2% 6.2%

The required minimum contribution rates for each employer in the Fund are set below.

Employer code	Employer name	Primary rate	Secondary rate (% of pay plus monetary amount)			Total cotributions (primary rate plus secondary rate)		
		(% of pay)	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
350	London Borough of Hackney	20.1%	6.9%	6.9%	6.9%	27.0%	27.0%	27.0%
360	Brooke House Sixth Form College	31.0%				31.0%	31.0%	31.0%
367	Mossbourne (Community Academy)	24.6%	-5.3%	-5.3%	-5.3%	19.3%	19.3%	19.3%
368	Greenwich Leisure Ltd	23.5%	-2.5%	-2.5%	-2.5%	21.0%	21.0%	21.0%
373	Petchey Academy	24.3%	-3.3%	-3.3%	-3.3%	21.0%	21.0%	21.0%
374	Bridge Academy	24.7%	-3.7%	-2.8%	-2.8%	21.0%	21.9%	21.9%
375	City Academy	23.3%	-8.2%	-8.2%	-8.2%	15.1%	15.1%	15.1%
379	Skinners Academy	24.3%	-4.2%	-4.2%	-4.2%	20.1%	20.1%	20.1%
380	Clapton Girls Academy	23.2%	-3.9%	-2.9%	-2.5%	19.3%	20.3%	20.7%
382	Peabody Trust	39.0%				39.0%	39.0%	39.0%
383	Caterlink	22.6%	-22.6%	-22.6%	-22.6%	0.0%	0.0%	0.0%
416	Mossbourne (Victoria Park Academy)	23.9%	-4.2%	-4.2%	-4.2%	19.7%	19.7%	19.7%
422	Manor House Development Trust	26.7%				26.7%	26.7%	26.7%
423	SND Cleaning (Holmleigh Primary School)	30.0%	-4.5%	-4.5%	-4.5%	25.5%	25.5%	25.5%
429	Mossbourne (Parkside Academy)	24.7%	-5.8%	-4.7%	-3.6%	18.9%	20.0%	21.1%
430	Mossbourne (Riverside Academy)	23.1%	-4.5%	-3.4%	-2.2%	18.6%	19.7%	20.9%
431	PJ Naylor Cleaning Services (Daubeney Primary School)	32.8%				32.8%	32.8%	32.8%
433	Mulalley	26.4%				26.4%	26.4%	26.4%
435	Fit for Sport (Gayhurst Primary School)	32.9%				32.9%	32.9%	32.9%
436	SND Cleaning (Our Lady and St Joseph Primary School)	24.7%	-2.1%	-2.1%	-2.1%	22.6%	22.6%	22.6%
438	PJ Naylor Cleaning Services (Baden Powell Primary School)	26.8%				26.8%	26.8%	26.8%
442	The Boxing Academy	24.1%	-6.9%	-5.1%	-3.3%	17.2%	19.0%	20.8%
445	City of London Academy (Shoreditch Park)	22.6%	-3.1%	-3.1%	-3.1%	19.5%	19.5%	19.5%
446	Westgate Cleaning Services (Simon Marks Jewish Primary School)	38.1%	-4.1%	-4.1%	-4.1%	34.0%	34.0%	34.0%
447	Lubavitch Foundation	21.3%	-7.2%	-7.2%	-7.2%	14.1%	14.1%	14.1%
449	CIS Security Ltd	31.6%	-23.6%	-23.6%	-23.6%	8.0%	8.0%	8.0%
450	PJ Naylor Cleaning Services (Grasmere Primary School)	23.3%				23.3%	23.3%	23.3%
451	PJ Naylor Cleaning Services (St Marys Primary School)	21.8%				21.8%	21.8%	21.8%
452	Compass Group (Nightingale Primary School)	23.3%				23.3%	23.3%	23.3%
454	Waterside Academy (Community Schools Trust)	24.7%	-6.6%	-6.6%	-6.6%	18.1%	18.1%	18.1%
455	Compass Group (Randal Cremer Primary School)	22.8%				22.8%	22.8%	22.8%
456	Hackney New Primary (Eko Trust)	23.6%	-5.0%	-5.0%	-5.0%	18.6%	18.6%	18.6%
457	Olive Dining Ltd (Stoke Newington School)	23.1%				23.1%	23.1%	23.1%
459	Fit for Sport (Betty Layward Primary School)	24.2%				24.2%	24.2%	24.2%
7171	May Harris Multi-Services Ltd (Shoreditch Park Primary School)	35.3%	-0.2%	-0.2%	-0.2%	35.1%	35.1%	35.1%
7172	CleanTEC Services (Jubilee Primary School & Lindens Children's Centre)	30.7%	3.5%	3.5%	3.5%	34.2%	34.2%	34.2%
7174	Schools Offices Services Ltd (St Scholastica's Primary School)	29.6%				29.6%	29.6%	29.6%
448	Lubavitch (Multi-Academy Trust)	24.2%	-1.8%	-1.8%	-1.8%	22.4%	22.4%	22.4%
458	Northwold Primary School (Arbor Academy Trust)	25.8%	4.2%	4.2%	4.2%	30.0%	30.0%	30.0%

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.

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.

London Borough of Hackney Pension Fund Governance Policy and Compliance Statement

Introduction and Legal Requirements

The London Borough of Hackney Council is the Administering Authority responsible for managing the London Borough of Hackney Pension Fund and the administration of the Local Government Pension Scheme (LGPS) on behalf of participating employers and members.

Regulation 55 of the LGPS Regulations 2013 requires Administering Authorities to publish a Governance Policy and 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 Levelling Up, Housing, and Communities. It also requires the Administering Authority to keep the statement under review, to make revisions as appropriate and, where such revisions are made, to publish a revised statement.

This document is the Governance Policy and Compliance Statement for the London Borough of Hackney Pension Fund that has been prepared to meet the requirement of the LGPS Regulations.

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 25,000 current and former members of the Fund, and their dependants
- over 40 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 as follows:

- we will aim to act in the best interests of the Fund's members and employers
- we will have robust governance arrangements in place, to facilitate informed decision making in a transparent manner, supported by appropriate advice, policies and strategies
- we will ensure that the London Borough of Hackney Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills

- we will act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- we will understand and monitor risk
- we will strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- we will clearly articulate our objectives and how we intend to achieve those objectives through business planning, and we will continually measure and monitor success
- we will ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services are protected and preserved.

Governance Arrangement & Structure

The London Borough of Hackney, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Hackney Pension Fund to the Pensions Committee.

The overall responsibility for the day to day running of the Fund has been delegated to the Group Director, Finance and Corporate Resources who is supported in this role by:

- the Director, Financial Management and
- the Pensions Team within the Council.

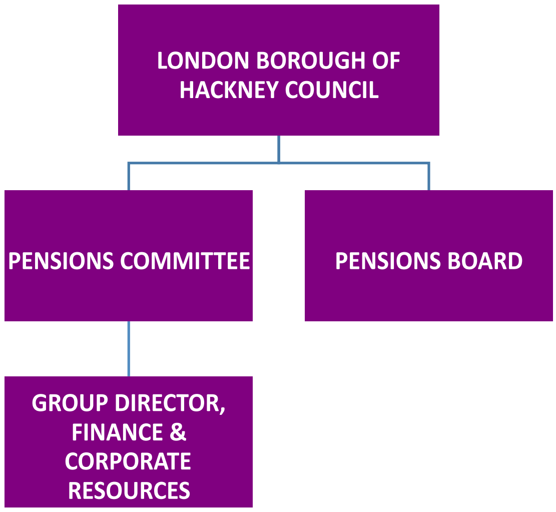
The Pensions Team carries out the day to day running of the Fund including administration, investments and accounting. Some of this is contracted out to external suppliers or providers including:

- Equiniti – many aspects of the administration and communications of the Hackney Pension Fund are carried out on the Fund's behalf by Equiniti
- London Collective Investment Vehicle (London CIV) - the Fund participates in the London CIV which means the London CIV manages some of the Fund's assets on its behalf. The London Borough of Hackney is also a shareholder of the London CIV.

A range of consultants also provide guidance in relation to the management of the Fund. In line with the Local Government Pension Regulations 2013, a Pensions Board has been established which assists the Administering Authority in ensuring:

- compliance with the regulations and The Pensions Regulator’s requirements and
- the effective and efficient governance and administration of the Fund.

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.



Pensions Committee

The Pensions Committee acts as trustee of the Council's pension fund in accordance with legislation. The Committee is responsible for monitoring performance of the fund, setting and reviewing strategic objectives and appointing administrators, advisers, investment managers and custodians.

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 as agreed by the Council and included in the Constitution:

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 act as Scheme Manager for the Pension Fund.
3. 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.
4. To formulate and publish a Statement of Investment Principles.
5. 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.

6. 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.
7. To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
8. To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
9. To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
10. To receive and approve an Annual Report on the activities of the Fund prior to publication.
11. To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
12. To keep the terms of reference under review.
13. To determine all matters relating to admission body issues.
14. To focus on strategic and investment related matters at two Pensions Committee meetings.
15. 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.
16. To maintain an overview of pensions training for Members.

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 nine elected Members from Hackney Council on a politically proportionate basis. The Council will also elect a Chair and Vice Chair. All Hackney Council elected Members have voting rights on the Committee; two Hackney Council elected members of the Committee are required to deem the meeting quorate.

In addition the membership includes a co-opted non-voting employer representative and a co-opted non-voting member representative. 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 meeting papers, 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 the Administering Authority (effectively quasi-trustees) of the Pension Fund with all the legal responsibilities that this entails. As the co-opted members are not Hackney Council elected members, it was therefore not felt to be appropriate to apply the same legal definition to them; hence their role as non-voting members.

Pensions Committee Meetings

The Pensions Committee meets 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 Consultants.

We 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. We 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 which 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.

We aim to 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: https://hackney.gov.uk/council-business.

Senior Officers

Under the Council's Constitution responsibility for all other functions relating to pensions, not already delegated to the Pensions Committee, are delegated to the Group Director, Finance and Corporate Resources. This is in addition to their role as Chief Finance Officer (often called Section 151 Officer). As the Chief Finance Officer they are responsible for ensuring the proper financial administration of the Fund. As appropriate the Group Director, Finance and Corporate Resources will delegate aspects of the management of the Pension Fund to other officers of the Council including the Director, Financial Management, the Pensions Manager and the Head of Pensions, as well as appointing suppliers and consultants to assist with this.

Other Delegations of Responsibilities

The Pensions Committee has also agreed a further scheme of delegation as included in Appendix B. This includes responsibilities relating to how the ongoing implementation of decisions made by them are carried out, as well as how urgent matters that must be considered outside of the Pensions Committee cycle are dealt with.

Pensions Board

Each Administering Authority is 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 Hackney Pension Fund

Such Pensions Boards are not local authority committees; as such the elements of the Constitution of Hackney Council, such as the procedure rules, do not apply to the Pensions Board unless it is expressly referred to in the Board's terms of reference. The Hackney Pensions Board was 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 and Group Director, Finance and Corporate Resources remain solely their responsibilities, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets, the administration of pension benefits and the appointment of contractors and advisors as required.

Membership of the Pensions Board

The Pensions Board consists of either four or five 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 Councillor for Finance
- the Group Director, Corporate Finance and Resources
- the Director, Financial Management
- the Director, Legal and Governance.

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.

Each member of the Pensions Board is expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pensions Board.

Pensions Board Meetings

The Pensions Board meets at least twice each calendar year and additional meetings may be arranged as required to facilitate its work.

Members of the public may attend Pensions Board meetings and papers will be made public in the same way as described above for the Pensions Committee.

The London Collective Investment Vehicle (London CIV)

LGPS regulations require that all LGPS funds must include within their investment strategy an approach to pooling investments. This is clarified in separate guidance from the government which outlines criteria for investment pooling in the LGPS. As a result of this, in 2015, Hackney Council and the other London local authorities who also manage London LGPS funds established London LGPS CIV Ltd. Therefore Hackney Council, with those other London local authorities, is a shareholder of the London CIV. The Chair of Hackney Pensions Committee and the Group Director, Finance and Corporate Resources currently sit on the London CIV Shareholder Committee.

The London CIV is the investment pool which we use to invest some of the assets of the Hackney Pension Fund. Accordingly we are both a client and a shareholder of the London CIV.

Policy Documents

There are a number of key documents which are relevant to the governance and management of the Fund, including various policies and strategies which incorporate the Fund's objectives. Brief details of these are listed below and the full copies of all documents can be obtained on the Fund's website - https://hackneypension.co.uk/.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Chief Finance 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. The financial statements within the accounts summarise the transactions of the Fund and detail the net assets of the Fund. The statement of accounts is reviewed by the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. The accounts are incorporated into an Annual Report which provides an update on other key matters during the year such as scheme details, financial performance and administration matters. Full copies of the Fund's Annual Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the Fund's website.

Funding Strategy Statement

The Funding Strategy Statement is one of two key parts of the framework which ensures there are sufficient assets in the Fund to pay its liabilities (mainly pension benefits) and contains a schedule of the minimum contribution rates that are required to be paid by the employers participating in the Fund. The Funding Strategy Statement (FSS) is developed by us in collaboration with the Fund's actuary and, after consultation with the Fund's employers, it is formally approved by the Pensions Committee.

Investment Strategy Statement

The Investment Strategy Statement is the second key part of the framework for ensuring appropriate assets are in the Fund to meet the liabilities. The strategy sets out:

- our approach to investment risk including ways in which risks are measured and managed
- our approach to pooling of assets (which is done through the London CIV)
- how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- the exercise of voting rights attached to investments.

The Investment Strategy Statement also sets out the target percentage of the total value of all fund money that should be invested in particular asset classes, including any restrictions on those investments.

Governance Compliance Statement

This sets out our compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. The Hackney Pension Fund's Governance Compliance Statement is attached as Appendix A and shows where we are compliant or not compliant with the expectations in the statutory guidance and the reasons why we may not be compliant.

Knowledge and Skills Policy

Our Knowledge and Skills Policy provides Pensions Committee members, Pensions Board members and senior officers with a clear framework setting out how they acquire and retain the knowledge and skills required to perform their individual roles. The aim of this policy is to ensure that those responsible for the management, delivery and governance and decision making in the Fund have the appropriate levels of knowledge and skills.

As part of this policy, we aim to comply with the requirements of:

- MiFID II (Markets in Financial Instruments Directive)
- the CIPFA Code of Practice and Knowledge and Skills Frameworks
- 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 / the new TPR Single Code due to be introduced in 2022.

Members of the Pensions Committee, Pensions Board and officers involved in the management of the Fund receive training to ensure that they meet the aims of the Knowledge and Skills Policy, with a Training Plan developed and reviewed on at least an annual basis.

Conflicts of Interest Policy

Conflicts of interest have always existed for those with LGPS Administering Authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, and may also have individual personal, business or other interests which might conflict, or be perceived to conflict, with their role managing or advising an LGPS fund. It is generally accepted that LGPS Administering Authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers.

Our Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The policy is established to guide Pensions Committee members, Pensions Board members, officers and advisers, ensuring that those individuals do not act improperly or create a perception that they may have acted improperly.

Breaches Policy

The Breaches Policy sets out how we monitor, record and take action where breaches of the law occur. The policy sets out the responsibility of Pensions Committee members, Pensions Board members, Fund officers and advisers to report breaches of the law to The Pensions Regulator where they are deemed material (as set out in the Policy). A log is maintained of all breaches of the law, whether reported to The Pensions Regulator or not.

Risk Policy

We recognise that effective risk management is an essential element of good governance in the LGPS. Our Risk Policy details the risk management strategy for the Hackney Pension Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process

We recognise that it is not possible, or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for Hackney Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

Communications Strategy Statement

This document sets out our communications strategy for the Fund. The aim of the strategy is to ensure that all stakeholders are kept informed of developments in relation to the Fund. This helps to ensure transparency and an effective communication process for all interested parties.

Pension Administration Strategy

Our Pension Administration Strategy is key to the administration and efficient running of the Pension Fund. It encompasses administrative procedures and responsibilities for us (as the Administering Authority for the Fund) and employing authorities participating in the Fund. It includes quality and performance standards. It is distributed to employers within the Fund following regular review and consultation. 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.

Discretions Policies

Under the Local Government Pension Scheme regulations, we have a level of discretion in relation to a number of areas. Our approaches to these areas of discretion are outlined in our Statement of Administering Authority Discretions Policies. We review 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.

Key Risks

The main governance risks that Pensions Committee members monitor on an ongoing basis are:

- Recruitment and Retention - insufficient experienced staff to meet Fund objectives
- Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management
- Conflicts of Interest - actual conflicts of interest permitted to materialise
- Internal Fraud - financial loss resulting from actions of employee
- Data Protection - failure to adequately protect data results in potential financial or personal impact on members
- Reliance on external systems - the Fund's assets, systems or data are compromised including financial/data loss or systems downtime
- Business continuity failure
- External factors including regulatory changes impact the governance of the Fund
- Incorrect advice/guidance received from third parties.

Monitoring Governance Objectives

Our governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
We will aim to act in the best interests of the Fund's members and employers	• Conflicts of Interest policy in place. • Training undertaken on a role in managing the fund on behalf of members/employers as part of induction.
We will have robust governance arrangements in place, to facilitate informed decision making in a transparent manner, supported by appropriate advice, policies and strategies	• Pensions Committee carry out an effectiveness of governance survey at least every three years. • Governance consultant in place providing ongoing view of effectiveness of governance arrangements. • Pensions Board prepares and publishes an annual report.
We will ensure that the London Borough of Hackney Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills	• Training Policy is in place together with monitoring and reporting of all training by Pensions Committee members, Pensions Board members and key officers in accordance with the Training Policy.

Objective	Monitoring Arrangements
We will act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	• Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy. • Employers within the Fund are invited to an Annual Employers' Forum. Attendees receive presentations and have the opportunity to ask questions on the governance of the Fund. • Pensions Committee includes representatives from scheme members and employers in the Fund. • Pensions Board includes representatives from scheme members and employers in the Fund. • Pensions Committee receive advice from officers and a range of consultants are in place to provide advice across all fund aspects. • Pensions Board prepares and publishes an annual report which may include comment on decision making.
We will understand and monitor risk	• Risk Policy and register in place, and monitoring and reporting of risks is carried out in accordance with the Risk Policy. • Ongoing consideration of key risks at Pensions Committee meetings.
We will strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance	• Governance of the Fund is considered by both the External and Internal Auditors. • Compliance check is carried out at least annually against The Pension Regulator's current Code of Practice. • A log of all breaches of the law is maintained in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure. • Pensions Board prepares and publishes an annual report which may include comments on compliance matters.
We will clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success	• All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at Pensions Committee meetings. • Ongoing monitoring of business plan targets at Pensions Committee meetings.

Objective	Monitoring Arrangements
We will ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services are protected and preserved.	• All information security breaches relating to data being issued insecurely, or other incidents affecting confidentiality, integrity or accessibility of data, systems or services relating to the Fund are recorded and reviewed. • A cyber incident response plan is in place. • A business continuity plan and a testing schedule (including cyber incident testing) is in place which is adhered to. • All Fund staff undertake data protection training in accordance with the Council's training programme.

Approval, Review and Consultation

This Governance Policy and Statement was approved at the London Borough of Hackney Pensions Committee meeting on 23 November 2021. This governance policy and compliance statement will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within either of them 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
Pensions Team
Hackney Service Centre
1 Hillman Street
London E8 1DY

Telephone: 020 8356 2745

Email: pensions@hackney.gov.uk (Governance)

hackney.pensions@equiniti.com (Administration)

Website: www.hackneypensions.co.uk

Hackney Council Website: www.hackney.gov.uk (Minutes and Agendas)

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 we are compliant with the guidance and where we are not compliant, we provide 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 Pensions 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 Pensions 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.

Further information:

Decision taken by Pensions Committee not to hold a secondary committee and that employer and scheme member representatives may participate at main Pensions 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. (ii) Scheme members are represented by a scheme member representative. (iii) At this stage the Pensions Committee has determined that there is no requirement for an independent professional observer. (iv) Expert advisers – investment consultant and governance consultant - participate at all meetings of the Pensions 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 Pensions Committee papers ahead of meetings, are invited to training and are able to fully contribute to the decision making process.

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 Pensions Committee declare interests at the start of each meeting.

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 Pensions Committee Terms of Reference in the Council's Constitution and the Fund's Governance Policy

Further information:

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 discussions.

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	

Further information:

Please see the Fund's Knowledge and Skills 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 Pensions 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	Not applicable	Employer and scheme member representatives are on the main Pensions Committee.

Further information:
An annual employers' forum is also held.

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

Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully Compliant	The Pensions Committee reviews all aspects of Pension Fund management

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 Fund's website https://hackneypension.co.uk/documents-library

Appendix B - Delegation of Functions by Pensions Committee – November 2021

Key:

PC – Pensions Committee
GDFCR – Group Director, Finance & Corporate Resources
DFM –Director, Financial Management
PM – Pensions Manager
HoP – Head of Pensions
IC – Investment Consultant
FA – Fund Actuary
Advisers – Investment, actuarial, governance 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 and publish an Investment Strategy Statement and to monitor performance and effectiveness of investment managers	Implementation of strategic allocation including use of both rebalancing and conditional ranges	HoP (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 HoP 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 agreed Flightpath triggers	DFM, HoP and GDFCR (having regard to ongoing advice of the FA and IC)	High level monitoring at PC with more detailed monitoring by HoP and GDFCR

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, governance consultants, investment consultants, global custodian and pension funds administrator.	Ongoing monitoring of suppliers	HoP or PM with DFM (having regard to ongoing advice of advisers)	High level monitoring at PC with more detailed monitoring by advisers
	Selection, appointment and termination of suppliers following approval by PC	DFM, HoP and/or PM 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 other than where the responsibilities are articulated in separate policy or strategy documents (e.g. in FSS or discretionary policy statement).	DFM and HoP or PM after taking appropriate advice from the FA.	Ongoing reporting to PC for noting

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
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. Changes to other policy and strategy documents - authority to make minor amendments (i.e. of no impact on strategy and having no significant financial implications).	DFM and HoP or PM after taking appropriate advice from advisers.	Copy of policy to be circulated to PC members once approved.
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.	HoP or PM, DFM and GDFCR, subject to agreement with Chair and Vice Chair (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.
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	HoP or PM, DFM and GDFCR, subject to agreement with Chair and Vice Chair (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.

London Borough of Hackney Pension Fund Communications Strategy 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 Regulation 61 of the Local Government Pension Scheme Regulations (2013).

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.

The Regulator is due to replace its Code of Practice No14 (along with several other of its existing codes) into a single New Code. This is expected to come into force later in 2021 or early 2022. References in this document to Code of Practice No14 or to the Regulator's Code should be read as applicable to whichever Code is in force at the time.

Aims and Objectives

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:

This Communications Strategy has a number of specific objectives relating to how we communicate with our stakeholders, including:

- Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits
- Communicate in a plain language style
- Ensure the Fund uses the most appropriate means of communication, taking into account the different needs of different stakeholders
- Look for efficiencies in delivering communications including greater use of technology
- Evaluate the effectiveness of communications and shape future communications appropriately.

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 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. The Fund is in the process of launching Employer Self Service which will provide further options for secure information sharing.

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 - 03713 842 369 or by email:-

  - for scheme members – **hackney.pensions@equiniti.com**
  - for scheme employers – **hackney.employers@equiniti.com**

- **Website** – Communication in the form of a dedicated Pension Fund website is available which contains a wide range of information not only for 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** or on request. 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 the 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 members' personal information, the London Borough of Hackney Pension Fund and the pension administrators, Equiniti, are registered under the Data Protection Act 2018. 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 submit a Subject Access Request for their data should contact the pension administrators, Equiniti, on 03713 842369 or by email at: hackney.pensions@equiniti.com

The Data Protection Act 2018 (DPA) includes rules on providing privacy information which are more detailed and specific than those in the Data Protection Act 1998 which formerly applied. To ensure compliance with the DPA, the Fund provided all members with a Privacy Notice, setting out certain prescribed information including the purpose for which member data is being collected, which organisations will receive it and how it will be safeguarded.

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.

Strategy 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. Communication will be via the following methods (please note that any face to face meetings/presentations will not be available whilst Covid restrictions are in place):

- **Scheme Guides** – There are scheme guides available for members setting out the conditions of membership and the main scheme benefits that apply under the Local Government Pension Scheme (LGPS). 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 (MSS)** – During 2021 we are implementing the facility for all scheme members to securely access their pension details held on the pension administrator's database. This facility will allow scheme members to check their personal details and advise the administrators of any changes. It will also have 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 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 by 31st August each year. 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 2521/4266/6802, 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 when appropriate 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 fund 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 will also be available to those registered for self-service.

- **Pension Increase notifications –** The notification of the annual increase to pensioner benefits is sent out each April to every member in receipt of a pension.

- **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 to all scheme members once the accounts have been published.

- **McCloud exercise –** the Fund is currently carrying out an exercise to ensure that the age discrimination that occurred when the CARE scheme was introduced in 2014 is rectified. The Fund will provide regular updates to members via the Fund website and will write to notify any members whose benefits are increasing as a result of the review.

- The Fund will also send specific communications to those members who breach, or at risk of breaching, pensions tax limits. Please see the Fund's separate 'Policy for Administration and Communication of Pension Tax Allowances to Members' for more information.

Strategy 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 eligible and will be sent information regarding the scheme. They can still choose to opt-out should they wish.

- **Initial Contact** - All permanent new members of staff who are eligible to join the scheme 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 and statutory notice by the pension administrators confirming their membership of the LGPS along with details of where to find an electronic copy of the scheme guide, and further details of the scheme.

- **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 is easily contactable by email: pensions@hackney.gov.uk telephone 020 8356 6802, or letter. It is also possible to arrange a 1-2-1 meeting to discuss the benefits and options available to prospective members.

- **Scheme Guides** – There are a number of 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 www.hackneypension.co.uk.

Strategy 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, and is available on the website www.hackneypension.co.uk. 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 can 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

- **Secure Portal** – The Fund has a secure portal 'Sharefile' which facilitates the transfer of sensitive information and forms between the Fund and Employers electronically. Access rights are strictly controlled by the pension administrators, Equiniti. The Fund is in the process of implementing Employer Self Service which will provide further secure options for uploading data directly to the administration system.

- **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 www.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: www.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 on request. The full document will be published on the website at www.hackneypension.co.uk.

Strategy on Communicating with Elected Members and Other Pensions Committee Members

Information will be provided to Council Members and other Pensions Committee 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, ensure 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.

- **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 as required.

Strategy on Communicating with the Pensions Board

The Pension 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 Pension 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 way as described above for the Pension Committee. The agenda, reports and minutes of the meetings are available on the Council's website:- http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=540&Year=0

- **Training –** The Pension Board will be provided with, and be required to undertake, appropriate training, either provided internally by Officers or externally.

Strategy on Communicating with Other Bodies

There are a number of other interested parties with whom we will communicate with as required. These include:

- **The Ministry of Housing, Communities & Local Government (MHCLG)** – regular contact with MHCLG as regulator of the scheme, participating in 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.

- **London CIV** – the London Collective Investment Vehicle was established by a group of 32 London based Councils to invest assets on a pooled basis for the LGPS Funds administered by those Councils. It is important that the London CIV understands the Fund's strategies so that the assets are invested in accordance with those strategies. Communication with the CIV will be in a number of ways including directly at officer level and via the various committees and groups established as part of the London CIV governance structure.

The Hackney Pensions Committee will also receive regular updates on the activities of the CIV and will also be responsible for deciding the assets to be invested in the CIV. The Group Director, Finance and Corporate Resources, is a non-executive Director of the London CIV Board which is a further method of exchanging information. The Chair of the Pensions Committee and the Group Director, Finance and Corporate Resources, are also members of the London CIV Shareholders Committee.

- **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's Benefits and Governance Advisers who provide guidance on the administration of the Fund and its governance arrangements.
  - 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.

- **Third Party Administrator** – Hackney Council has chosen to outsource the administration of the Fund to a third party administrator who is responsible for maintaining all pension scheme member records, calculating and communicating scheme members' entitlements and liaising with employers to collect pension related information and contributions. The Fund's current third party administrator is Equiniti.

- **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 Fund's current AVC provider is Prudential.

- **Pensions and Lifetime Savings Association (PLSA)** – 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 Hackney Pension Fund. 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 and feedback on how to promote better access for all minority groups is welcome.

Measuring whether we meet our Communication Strategy objectives

The Fund will monitor success against our communication objectives in the following ways

Objectives	Measurement
Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits	Customer satisfaction surveys with scheme members achieving 90% of scores in positive responses in these areas
Communicate in a plain language style	Customer satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas
Ensure the Fund use the most appropriate means of communication, taking into account the different needs of different stakeholders	Customer satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas

Look for efficiencies in delivering communications including greater use of technology	Increased use of the Website 'News flash', and Member Self Service (MSS) and Employer Self Service portals to relay messages directly to members. Positive feedback with minimal or no member complaints A more sustainable way of delivering communications – less paper based communications provide by the Fund
Evaluate the effectiveness of communications and shape future communications appropriately	Satisfaction survey is undertaken annually, and/or on an ongoing basis Results from satisfaction survey are thoroughly analysed and investigated, and trends monitored from previous periods (at least annually) Detailed analysis of survey results is used to identify areas to improve communications in future

An overview of our performance against these objectives will be reported within the Fund's Annual Report and Accounts and also reported on an ongoing basis to the Pension Fund Committee and Pension Board.

If performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Fund will formulate an improvement plan. This will be reported to the Fund's Pension Fund Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

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 causing 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

- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- 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.

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 members
Pension Updates	✓	✓	✓	When details available	Active, Prospective, Employers
Ad hoc Newsletters	✓	✓	✓	As required	ALL
Payslips	✓	✗	✗	Monthly	Pensioners
Notice of Pension Increase (PI)	✓	✗	✓	Annually (April)	Pensioners
Scheme Updates/Changes	✓	✓	✓	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)	✗	✓	✓	Reviewed Triennially	Employers (& schools)
Pension Committee	✓	✓	✓	4 to 6 meetings per financial year	ALL
Pension Board	✓	✓	✓	2 meetings per financial year	ALL
Communications Strategy Statement	✗	✓	✓	Reviewed Triennially	ALL
Full Report & Accounts	✓	✓	✓	Annually (September)	ALL
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, use of on-line facilities and direct communication with the Financial Services Section, which oversees all aspects of the Pension Fund.

Feedback Mechanism	Paper form	Electronic form	Website	Frequency	Intended Audience (active, deferred, pensioner, prospective members, employers or ALL)
Employer Forum	✓	✗	✗	Annually (Feb/March)	Employers
Pensions Administration Strategy (PAS)- consultation period	✗	✓	✗	Annually (Jan/Feb)	Employers (& schools)
Weekly Inductions/Pre-retirement seminars	✓	✓	✗	When held	Prospective/Actives
Customer Satisfaction Surveys	✓	✓	✗	Annually	ALL
Ad hoc Surveys	✓	✓	✗	When required	ALL/specific audience

The feedback received on the PAS, Employer Forums and Weekly Inductions/Pre-retirement seminars are reported to the Pension Committee on a regular basis. Committee reports will also incorporate the results and feedback on annual bulk or specific surveys that may be undertaken by the Fund in conjunction with the pension administrators, Equiniti.

The results and feedback will be used to assist the Fund to continually make improvements to the service by amending/updating its administration practices, increasing efficiency and thereby improving members experience when contacting/interacting with the Fund and the administrators. Enhancements and efficiencies to the service will be reported to the Pensions Committee and/or Pensions Board as appropriate.

Contact Details

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
Russell Way
Crawley
West Sussex RH10 1UH

Tel No: 020 3997 6724

To contact them by email -

- for members of the scheme - hackney.pensions@equiniti.com

- for Employers in the Fund – hackney.employers@equiniti.com

For other queries and feedback issues, please contact:

Financial Services Section
London Borough of Hackney
Financial Management
4th Floor Hackney Service Centre
1 Hillman Street
London
E8 1DY

Tel No: 020 8356 2521

Email: pensions@hackney.gov.uk

Review of the Communications Strategy Statement

This strategy document will be reviewed at least annually, and updated as required when there are significant changes to be made. Otherwise, this Strategy will be updated every 3 years.

Regulatory Background

Local Government Pension Scheme Regulations 2013, Regulation 61

Below is the relevant extract from Regulation 61 of the Local Government Pension Scheme Regulations 2013, 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—

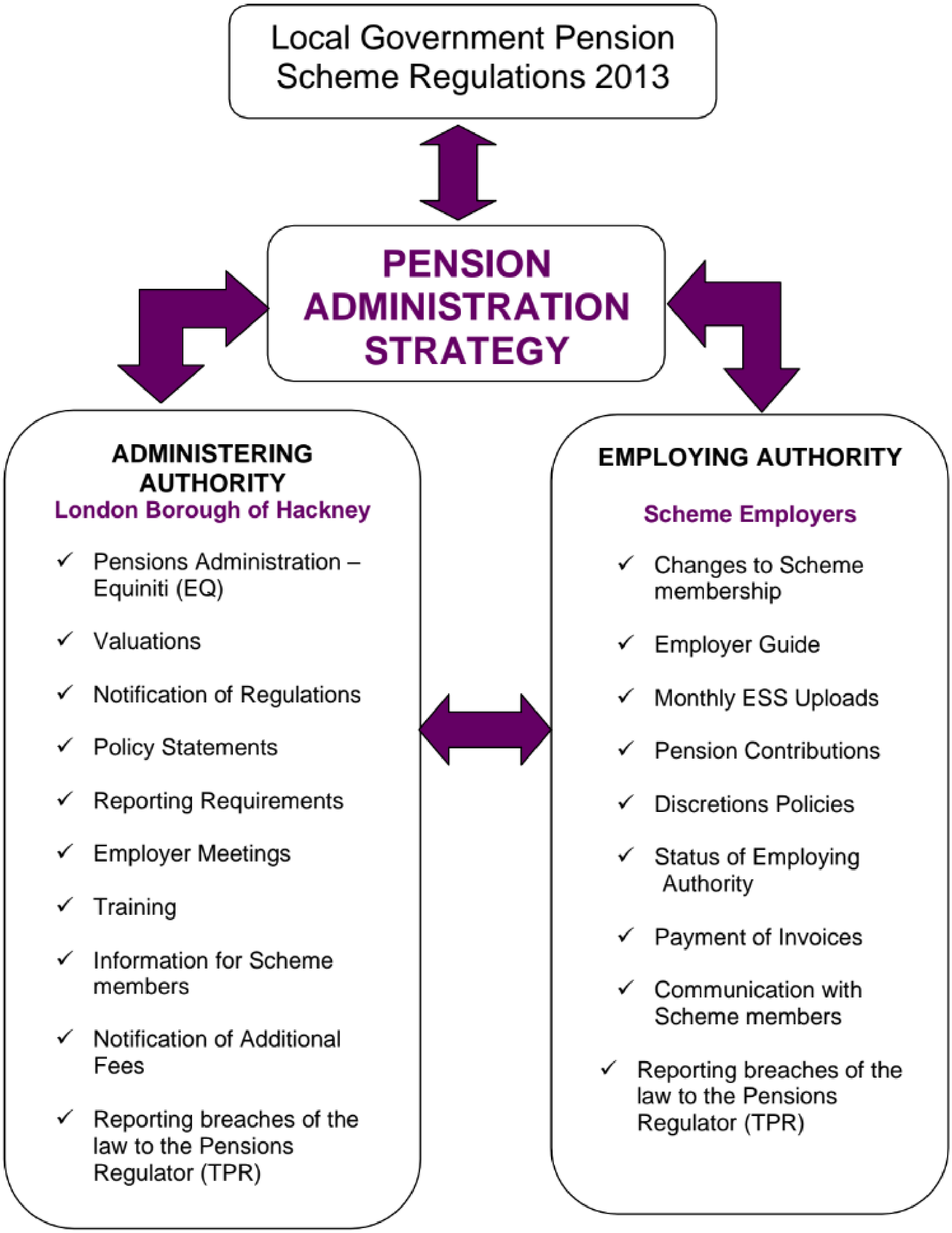
(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employers.

(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).

Pension Administration Strategy

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. However, local authority schools are not required to maintain their own policies (e.g. discretions).

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 LGPS within the employer's site: www.hackneypension.co.uk/scheme-information

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 2022.

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 70(2) 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	020 3997 6724 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 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 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 (or as communicated by the Pensions Team/Equiniti during the Employer Self Service (ESS) onboarding process)
- 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

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
Investment Strategy Statement (ISS)	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

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 - 020 3997 6724

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 has 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	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.*

Policy must be provided to the Fund. Policy must be provided to the Fund. This requirement does not apply to Local Authority maintained schools.	

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 via ESS.	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. This may not be required once onboarded to ESS and this will be confirmed by Equiniti.
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
McCloud data requests May be requested by the Fund for the purposes of recalculating benefits according to the McCloud judgement	Respond to the Fund within the timescales set out within the request
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. Once fully onboarded to ESS, there may no longer be a requirement to complete some of these forms and Equiniti will confirm new arrangements to you when you are fully onboarded. Until then, forms should be provided as set out below:

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 vice-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
Task/Function	**Performance Target**
Commencing Additional Pension Contributions - APC After receipt of the completed & signed form from the member, commence deduction or amend such deductions, as appropriate.	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.
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	Immediately following receipt of election form from scheme member Provide Administrators with copy of **cessation form/notification within 1 month** of ceased payments
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)	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

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**

Opt outs Member to complete the appropriate form – employer to provide copy of the form to the Fund	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

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 include 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 1 month** 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 page 39 – 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 page 39 – ill health retirements & tier 3 awards – if you require any assistance*

Important Note:

The Fund has begun introducing the use of Employer Self Service (ESS) for you to submit your monthly data to Equiniti, in line with TPRs expectations for schemes to be collecting monthly data. While being onboarded to ESS you will be expected to be using this portal alongside the existing secure portal Sharefile.

ESS will be mandatory from 1 April 2022, 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.

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 Mazars. 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 where 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

Objectives	Measurements
	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 90% 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

Objectives	Measurements
	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 the 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. In 2022 TPR will replace the majority of its codes, including Code of Practice No 14, with a new Single Modular Code. Once that Code comes into force the relevant sections will apply to the Pension Fund and its scheme employers in place of Code of Practice No 14. Many of the items highlighted below will still apply once the new Code comes into force.

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:

- failure to use Employer Self Service within the expected timescales set out in this Administration Strategy (or failure to engage with the onboarding process), unless it has been agreed with the Fund that the employer may continue to use manual submission methods

- failure to provide information requested by the Fund (or failure to make all efforts to locate the requested information) in order for it to comply with its requirements under the McCloud judgement

- 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. Where the table refers to the provision of a form, the fee only applies while the form is still required, so will not be levied once Equiniti has confirmed that forms are no longer required following successful onboarding to ESS. However, a fee may still apply if the ESS upload is not done on time and/or does not include all relevant information.

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 Self Service Submission Non-provision of the full correct schedule of employee data accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
Monthly Contributions Schedule (HK221) where it has been agreed for these to be submitted instead of ESS 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	£65 per change

Employer Responsibility	Additional Administration Charge
- leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	
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 either contradictory or which we need to query*	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
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 provide 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

Employer Responsibility	Additional Administration Charge
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
Late payment of pension benefits As a result of the **employer's failure** to notify the administrators of a scheme member's 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

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.

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:

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For further information on investment issues please contact:

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