LONDON BOROUGH OF HACKNEY PENSION FUND

Report and Accounts 2021-22

(UNAUDITED)

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Chair's Foreword - Cllr Kam Adams

It is my pleasure, as Chair of the Pensions Committee, to introduce the London Borough of Hackney Pension Fund Annual Report and Accounts for 2021/22. The Pensions Committee is responsible for the management of all aspects of the Pension Fund, including investment, administration and governance of the Fund.

2021/22 has been a busy year for the Hackney Pension Fund, with a focus on the implementation of a revised investment strategy and the development of the Fund's Responsible Investment policy. The Fund has also continued to implement significant improvements to its third party administration service and made significant improvements to the quality of its membership data.

In 2016, the Pensions Committee set a target for the Fund to reduce exposure to fossil fuel reserves by at least 50% over the 6 years to 2022, with an interim review in 2019. By the time of the interim review, we had reduced exposure to carbon reserves by 31.4%, well over halfway to the target. These results were used to inform a revised investment strategy, which was implemented during 2021/22.

The final review against the target took place during 2022; the results showed that the Fund had reduced its exposure to carbon reserves by 96.9% between July 2016 and November 2021, demonstrating significant outperformance of the Fund's original target to reduce exposure by 50% by 2022.

We are proud to have responded to this issue early and to have been one of the first LGPS funds to set and transparently monitor performance against a carbon reduction target. The target has helped highlight the areas of greatest risk within the Fund's investment strategy and helped the Fund integrate carbon risk into the strategy setting process. We are determined to remain at the forefront of Council Pension Funds in tackling the risks of climate change to our investments.

Looking at investment more widely, 2021/22 saw very variable performance. The first 3 quarters of the year were marked by a relatively benign investment environment, despite concerns over growth and rising inflation. Quarter 4 then saw Russia's invasion of Ukraine in late February, which caused a global shock. Equities declined and bond yields rose, whilst commodity prices soared, contributing to a surge in inflation.

The Fund made a number of significant allocation changes during the year, in line with agreed changes to the investment strategy. The Fund's multi asset allocation has been reduced, with both previous portfolios sold down and the remaining exposure moved to the London CIV. The Fund has also pooled its emerging market equities, and made allocations to a number of other pooled mandates within the London CIV.

The Fund's actuarial valuation at 31st March 2019 saw a funding level of 92%. Initial results from the 2022 valuation suggest that this had improved to 106% as at 31st March 2022, largely as a result of strong investment performance. Whilst some of these gains have since been eroded as a result of the challenging investment environment during 2022, reduced asset values have been more than offset by decreases in the estimated value of the Fund's liabilities.

2021/22 has also seen another busy year for our administration team. Improvements to the Fund's administration service have continued to be a major focus with continued work on introducing online member and employer self-service, as well as the ongoing project to manage anticipated regulatory changes following the McCloud judgement on age discrimination.

The team has also continued a major program of work with the Council's payroll and ICT teams to help improve the quality of data submitted to the Fund. The team has assisted in the development of a new interface for the Council to submit data, which went live early in 2022. The Fund has seen a significant improvement in the quality of data held as a result of the project, which has been reflected in the 2022 valuation and annual benefit statement processes.

The Committee agrees to a training programme each year 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. The Committee takes this aspect extremely seriously and training forms a key part of the agenda for each meeting, along with Committee Members and officers attending additional external training on a regular basis.

I would like to take this opportunity of expressing my personal appreciation for the hard work and commitment to the Hackney Pension Fund that the rest of my Committee Members have put in, given the considerable challenges that we face in managing a £1.9 billion pension fund during a period of considerable challenges for both the LGPS and the wider economy.

Particular thanks are due to Cllr Robert Chapman, who stepped down as Chair of the Committee in May 2022; on behalf of the Committee, I would like to thank him for his leadership and dedication over the last 8 years. I would also like to thank the hard work put in by our specialist advisors, the Group Director of Finance and Corporate Resources and his staff over the past year.

Cllr 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 Department for Levelling Up, Housing and Communities (DLUHC).

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

The Pensions Committee during 2021/22 was made up of 9 Councillor Members, 1 Scheme Member Representative and 1 Employer Representative.

Pensions Committee Members

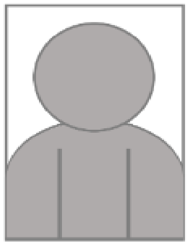
Councillor Robert Chapman

Councillor Michael Desmond

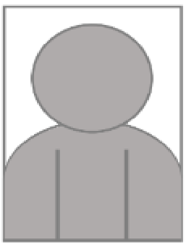
Councillor Kam Adams

Councillor Polly Billington

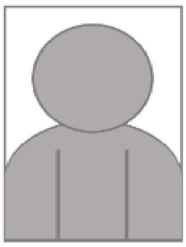
Councillor Ben Hayhurst



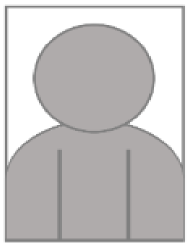
Councillor Margaret Gordon



Councillor Nick Sharman



Councillor Patrick Spence



Councillor Lynne Troughton

Jonathan Malins-Smith

Co-opted Scheme Representative

Henry Colthurst

Co-opted Employer Representative

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

Pensions Committee, Hackney Town Hall, Mare Street, London E8 1EA

Pensions Board

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

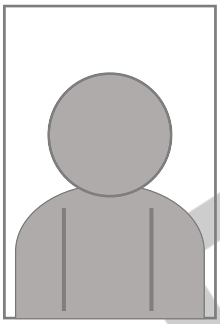
The Pensions Board during 2021/22 was made up of 3 members – 2 scheme member representatives and 1 employer representatives. There is a vacancy for an Employer Representative. The Pension Board will seek to appoint an employer representative from the existing employers in the Pension Fund.

Pensions Board Members

Samantha Lloyd

Scheme Member Representative

(Chair of the Board)



Hugo Sparks

Employer Representative

Michael Hartney

Scheme Member Representative

VACANCY

Employer Representative

<u>Contact details for the Pensions Board:</u>-
Pensions Board
Financial Services
4th Floor, Hackney Service Centre
1 Hillman Street
London E8 1DY

Staff, Advisers & Investment Managers

The management and administration of the Pension Fund as at 31st March 2022 was delegated to the Group Director of Finance and Corporate Resources, with the Financial Services Section (within the Finance and Corporate Resources Directorate) having responsibility for the day-to-day management of the Fund.

London Borough of Hackney Responsible Officers

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

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

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

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

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

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

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

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

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

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

Auditors, Consultants and Third-Party Service Providers

Auditors – Mazars LLP

30 Old Bailey
London
EC4M 7AU

Consulting Actuary – Hymans Robertson

Laura McInroy
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 – Hymans Robertson

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

Benefits & Governance Consultant to the Fund – AON

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

Legal Advisers

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

Pension Administration Services – Equiniti

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

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

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

Asset Pool and Investment Managers

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

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

Fixed Interest
Columbia Threadneedle Investments Ltd
Exchange House
Primrose Street
London
EC2A 2NY

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

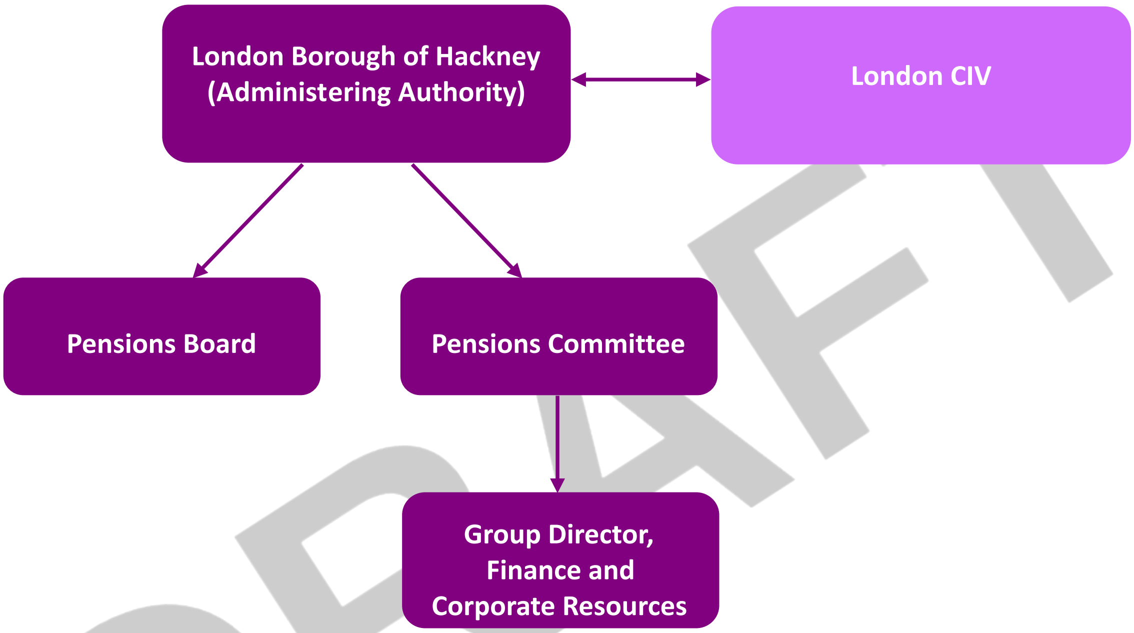
Private Debt
Churchill Asset Management
430 Park Avenue
New York
NY 10022
USA

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

Governance and Oversight Review

Governance of the Pension Fund

The London Borough of Hackney, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee. In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the Pensions Board assists the Authority in ensuring compliance with the regulations and helps oversee the work of the Pensions Committee and how the Fund is administered. The Fund's governance structure for the 2021/22 financial year is depicted in the chart below.

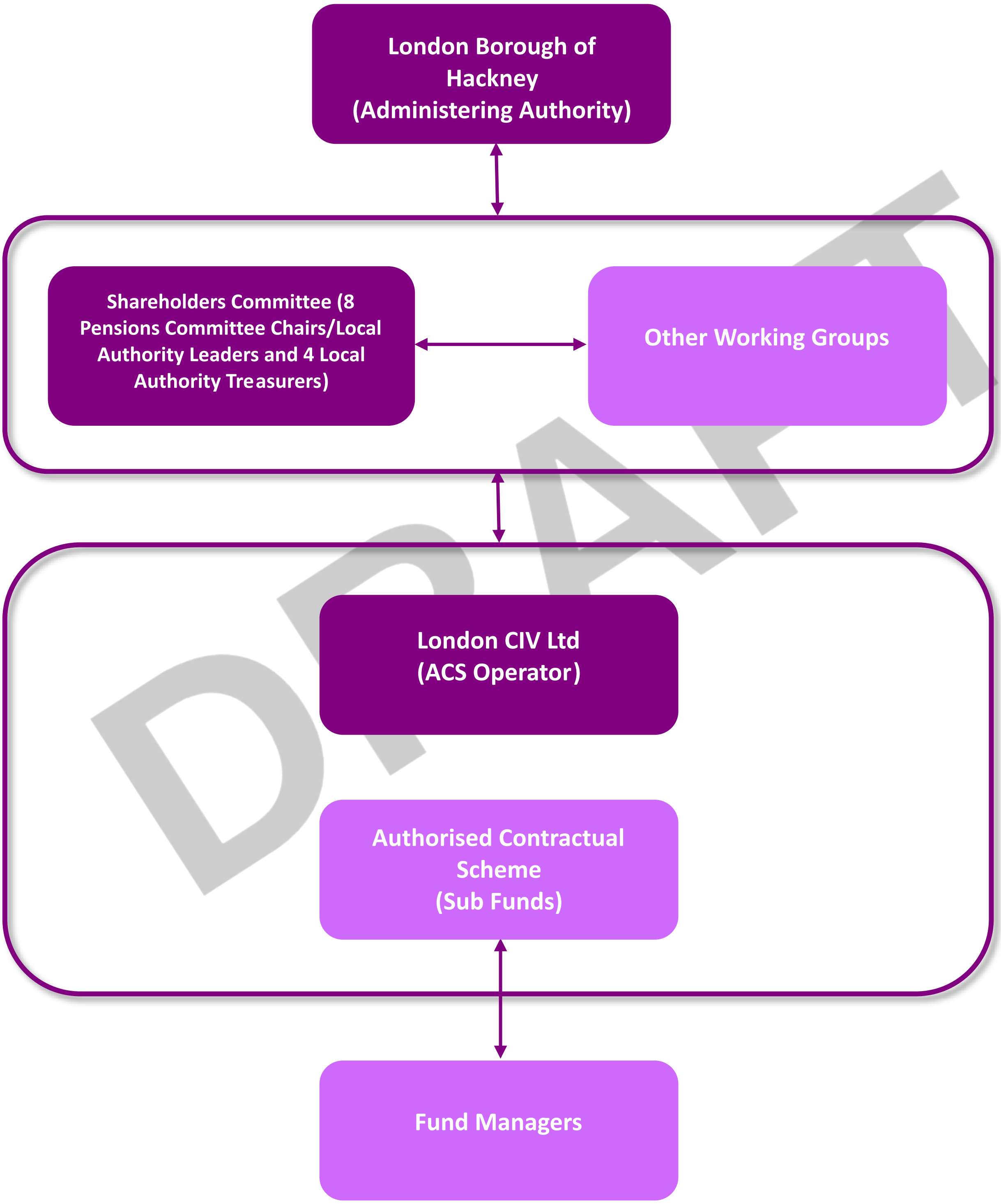


The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). The London CIV has been operational for some time and has opened a range of equity, bond and multi-asset sub-funds, with other asset classes to follow. At the reporting date 31st March 2022, the Fund held investments in: 3 active equities sub-funds, 1 multi-asset sub-fund, 1 private debt sub-fund and 1 renewable infrastructure sub-fund, all held directly via the CIV. The Fund also held investments in 2 passive equity portfolios with BlackRock with oversight from the 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. During 2018/19, the CIV made changes to its governance structure, replacing the previous London Councils' Pensions CIV Sectoral Joint Committee ("PCSJC") with a Shareholders Committee. The PCSJC comprises nominated Member representatives from each London local authority, whereas the Shareholders Committee comprises 12 members, 8 of whom are local authority pensions committee chairs (or council leaders) and 4 of whom are local authority treasurers. The Fund is currently represented within the governance structure of the CIV by Cllr Robert Chapman (Pensions Committee Chair) and Ian Williams (S151 Officer), both of whom currently sit on the Shareholders Committee.

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

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



Pensions Committee

Attendance

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

Committee Members Attendance 2021/22

	16th June		30th September		23rd November		20th January		10th March	
Councillor Members	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training
Cllr Robert Chapman (Chair)	P	P	P	P	P	P	P	P	P	P
Cllr Michael Desmond (Vice Chair)	P	P	A	A	P	P	P	P	P	P
Cllr Kam Adams	P	P	P	P	P	P	P	P	P	P
Cllr Polly Billington	A	A	P	P	A	A	P	P	A	A
Cllr Ben Hayhurst	P	P	P	P	P	P	A	A	A	A
Cllr Patrick Spence	P	P	A	A	P	P	P	P	A	A
Cllr Nick Sharman	P	P	P	P	A	A	P	P	P	P
Cllr Margaret Gordon	P	P	P	P	P	P	P	P	P	P
Cllr Sem Moema	A	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cllr Lynne Troughton	N/A	N/A	N/A	N/A	P	P	P	P	P	P
Co-Opted Members										
Henry Colthurst	A	A	A	A	P	P	A	A	P	P
Jonathan Malins-Smith	P	P	P	P	P	P	A	A	P	P
P = Present										
A = Absent										

Training

Training was provided to the Committee with a dedicated time slot at the Committee meetings. The topics covered in the training programme for the Committee in 2021/22 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Committee are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- Funding & investment
- TCFD & stewardship
- Triennial valuation process & assumptions
- Cyber security

Members are also encouraged to attend relevant external training opportunities as set out in the Fund's training policy. Events attended during 2021/22 included:

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

Pensions Board

Attendance

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

Pension Board Members Attendance 2021/22				
	11th October 2021		16th March 2022	
	Meeting	Training	Meeting	Training
Samantha Lloyd (Chair)	P	P	P	P
Michael Hartney	P	P	P	P
Hugo Sparks	P	P	P	P
P = Present				
A = Absent				

Training

Pensions Board members are invited to attend Pensions Committee meeting as observers and to participate in the training. However, to ensure that suitable training is fully accessible to all Board members, Board meetings also include a regular training session at the start of each meeting. The topics covered in the training programme for the Board in 2021/22 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Board are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- General LGPS refresher training
- Cyber security

Governance Issues – Management of Conflict of Interest

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

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

Knowledge and Skills Policy Statement

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

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

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

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

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

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

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

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

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

2021/22 Reporting on Knowledge and Skills Framework

How the Frameworks have been applied

The Pensions Committee has delegated responsibility for managing all aspects of the London Borough of Hackney Pension Fund. The Pensions Committee reviews and agrees on a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee to both enhance existing knowledge and skills and to develop new areas of understanding.

Pensions, and in particular investments, are constantly evolving and therefore in order for the Committee to be effective, they need to ensure that their knowledge is current. The Committee has had a long-standing commitment to engage in a training programme and to ensure that training is accessible to all members of the Committee including co-opted members and members of the Pensions Board. Training is therefore provided as a matter of course at all regular quarterly Committee meetings and is carried out prior to the main business agenda items. This ensures that training is accessible to all Committee members and key officers involved in the Pension Fund.

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

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

Assessment of Training Needs

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

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

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

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

The Fund's training programme is designed around the guidance set out above. The Committee programme for 2021/22 concentrated on introducing topical issues alongside specific training related to imminent decisions to be taken by members. Dedicated training covered a broad range of topics, including funding and investment, TCFD and stewardship, the triennial valuation and cyber security. Training was generally delivered via a hybrid approach to ensure that both those attending meetings in person and those joining remotely could participate.

The first training session of the financial year in June 2021 introduced Members to TCFD (Taskforce on Climate-Related Financial Disclosures) and the requirements of the FRC's revised Stewardship Code. The Fund plans to commence TCFD Reporting ahead of the expected deadline for LGPS funds and also intends to become a signatory to the revised Stewardship Code, so training on these items was a priority for members.

The following session in September 2021 focused on funding and investment considerations, including the impact of recent asset outperformance on the funding level. Hymans Robertson, the Fund's investment consultant, presented a paper and training session setting out the impact of the outperformance, what it meant for the Fund's present and future funding position, and the suitability or otherwise of increasing the Fund's exposure to protection assets.

The third and fourth sessions, held in November 2021 and January 2022 both focused on the upcoming triennial valuation. The training covered the valuation process and timetable, an introduction to asset liability modelling and how the valuation assumptions are set. Approving the valuation is one of the key responsibilities of the Committee; detailed training on this topic ahead of the valuation helps to ensure Committee Members fully understand their responsibilities.

The final session of the year took place in March 2022 and covered cyber security. This is an ever increasing risk for pension funds and is increasingly highlighted by the Pensions Regulator as a topic on which funds need to take action. The Hackney Fund has already experienced a significant cyber attack in October 2020 when the Council's security systems were breached. Training for members and officers on this topic is therefore vital; the training set out the key requirements for the Fund around the launch of its cyber security strategy.

The Pensions Board programme for 2021/22 focused on similar issues to that of the Committee and included a general LGPS refresher training session and a session on cyber security.

Training for the Board is focused on areas particularly relevant to the Board in its role of assisting the administering authority to ensure proper administration and governance of the Fund.

The dedicated training programmes for 2021/22 were supplemented by additional information contained within the main agenda items.

Training Delivered against identified training needs

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

Dedicated Training - Committee	Date
TCFD and Stewardship (Investment performance and risk management; financial markets and products knowledge)	16/06/2021
Funding & Investment (Investment performance and risk management; Actuarial methods, standards and practices)	30/09/2021
Triennial Valuation (Actuarial methods, standards and practices)	23/11/2021
Valuation Assumptions (Actuarial methods, standards and practices)	20/01/2022
Cyber Security (pensions governance, pensions services procurement and relationship management)	10/03/2022
Supplemental Training - Committee	**Date**
Funding Issues (Actuarial methods, standards and practices)	16/06/2021
Investment Strategy & Transition (Investment performance and risk management; financial markets and products knowledge)	23/11/2021
Responsible Investment (Investment performance and risk management; financial markets and products knowledge)	10/03/2022

Attendance at Committee and Board meetings and training sessions is monitored by officers and a record of attendance is included within the earlier Governance & Oversight Review for 2021/22.

A full training programme is scheduled for 2022/23 and includes a wide range of topics, focussing particularly on areas where the Committee is required to make longer term strategic decisions, or where the Committee has requested additional training.

Training Policy

The Pensions Committee formally approved an updated Knowledge and Skills Policy (formerly called Training Policy) at its Committee meeting in November 2021 which sets out its commitment to ensuring that Members of the Pensions Committee, Pensions Board and senior officers with responsibility for managing the Pension Fund should undergo a rigorous training programme. The Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It is intended to aid existing and future Pensions Committee members, Pensions Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Pension Fund is managed by individuals with the appropriate level of knowledge and skills.

Scheme Details

Overview of the Scheme

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

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

Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund,the last valuation was as at 31st March 2019, the next valuation is as at 31st March 2022.

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 2021/22 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.

- Pre-2014 benefits guaranteed with a final salary link for any benefits 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 $1/60^{th}$ 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 40 employers with active scheme members in the Pension Fund during the financial year 2021/22, including the London Borough of Hackney itself. During the year 4 new employers were admitted, whilst 5 previous employers ceased. Employers in the Fund fall into either ‘Scheduled body’ or ‘Admitted body’ status.

The following Table outlines the membership profile for all of the employers in the Fund. Membership Profile as at 31st March 2022

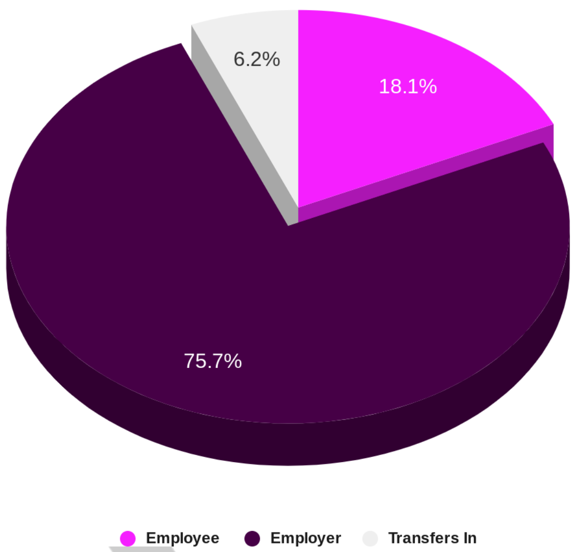
Employer Name	Active	Deferred	Pensioner	Total
LONDON BOROUGH OF HACKNEY	6,686	8,671	7,125	22,482
PETCHEY ACADEMY	72	174	9	255
MOSSBOURNE (COMMUNITY ACADEMY)	71	125	9	205
BRIDGE ACADEMY	64	78	5	147
CITY ACADEMY	46	76	3	125
CLAPTON GIRLS ACADEMY	38	58	4	100
SKINNERS ACADEMY	37	61	3	101
BROOKE HOUSE SIXTH FORM COLLEGE	35	80	17	132
MOSSBOURNE (PARKSIDE ACADEMY)	34	23	1	58
MOSSBOURNE (VICTORIA PARK ACADEMY)	29	54	1	84
MOSSBOURNE (RIVERSIDE ACADEMY)	26	9	0	35
LUBAVITCH MULTI ACADEMY TRUST	22	24	1	47
ARBOR ACADEMY TRUST (NORTHWOLD ACADEMY)	17	11	7	35
CITY OF LONDON ACADEMY (SHOREDITCH PARK)	16	9	0	25
COMMUNITY SCHOOLS TRUST	12	0	0	12
EKO TRUST	11	16	1	28
LUBAVITCH FOUNDATION	6	6	0	12
THE BOXING ACADEMY	1	9	0	10
GREENWICH LEISURE LTD	11	12	3	26
MULALLEY	5	0	3	8
COMPASS GROUP (RANDEL CREMER)	5	0	0	5
OLIVE DINING	5	0	0	5
JUNIPER PURSUITS	4	0	0	4
CIS SECURITY LTD	3	1	0	4
SOS (ST SCHOLASTICAS)	3	0	0	3
PJ NAYLOR (DAUBENEY)	2	1	3	6
PJ NAYLOR (GRASMERE)	2	0	0	2
RADISH (BETTY LAYWARD)	2	0	0	2
FIT FOR SPORT (BETTY LAYWARD)	2	0	0	0
FIT FOR SPORT (GAYHURST)	1	6	0	7
PEABODY TRUST	1	5	1	7
CATERLINK	1	2	1	4
CLEANTEC (JUBILEE & LINDEN)	1	0	0	1
COMPASS GROUP (NIGHTINGALE)	1	0	0	1
MANOR HOUSE DEVELOPMENT TRUST	1	0	0	1
MAY HARRIS (SHOREDITCH PARK)	1	0	0	1
PJ NAYLOR (ST MARY'S COE SCHOOL)	1	0	0	1
SND CLEANING SERVICES (HOLMLEIGH)	1	0	0	1
SND CLEANING SERVICES (OUR LADY & ST JOSEPHS)	1	0	0	1
WESTGATE CLEANING SERVICES	1	0	0	1
CEASED EMPLOYERS	0	946	593	1539
TOTAL	**7,278**	**10,457**	**7,790**	**25,525**

Financial Performance Review

Member Cash Flows

Contributions

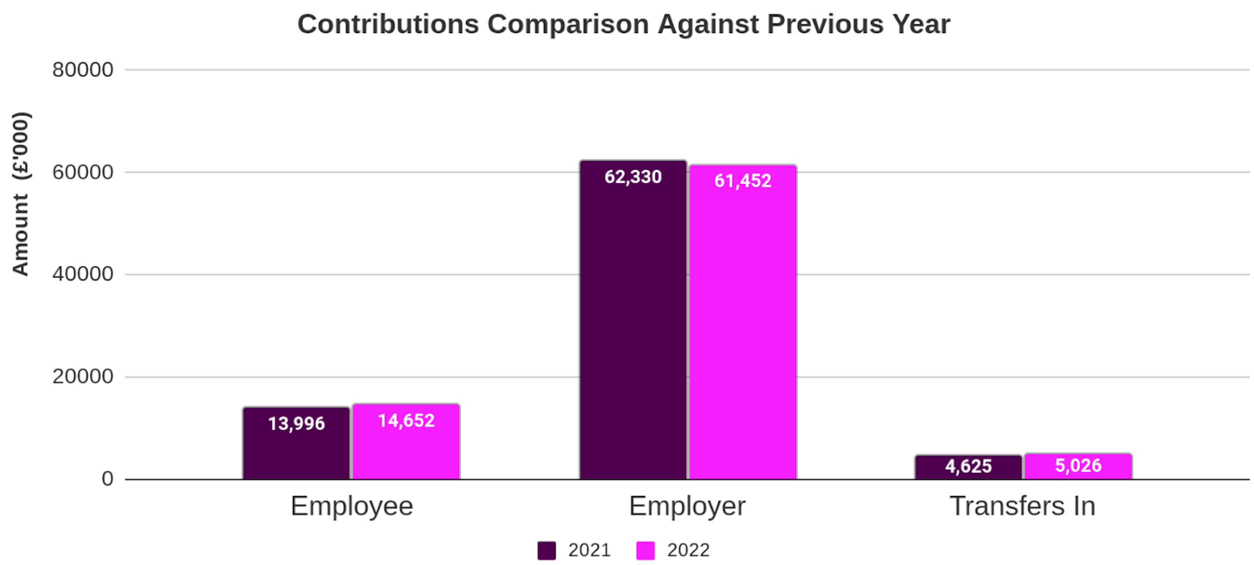
Total contributions (including transfers) into the Fund during 2021/22 amounted to £81.1 million compared to £81.0 million for 2020/21. Contributions paid by employees are set by statute and during 2021/22 were in a range of 5.5% up to 12.5% dependent on pensionable pay. Employee contributions amounted to 18.1% of total contribution income during the financial year. Transfers of pension contributions into the Fund from other pension funds amounted to 6.2% 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 2019 actuarial valuation.

As can be seen from the chart the largest source of contributions remains employers (on behalf of employees and former employees). Employer contributions amounted to 75.7% of contribution income during the financial year.

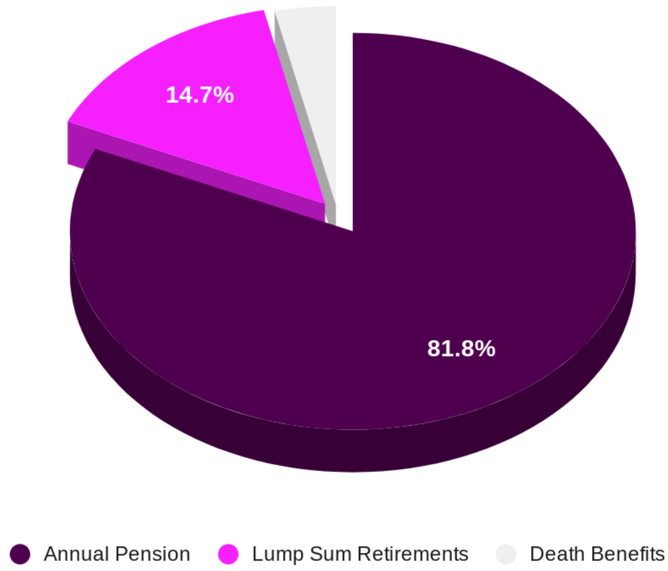
The chart below shows the actual sums being contributed by employees and employers and the value of transfers-in during the 2021/22 financial year along with comparators for the previous financial year.



Benefits

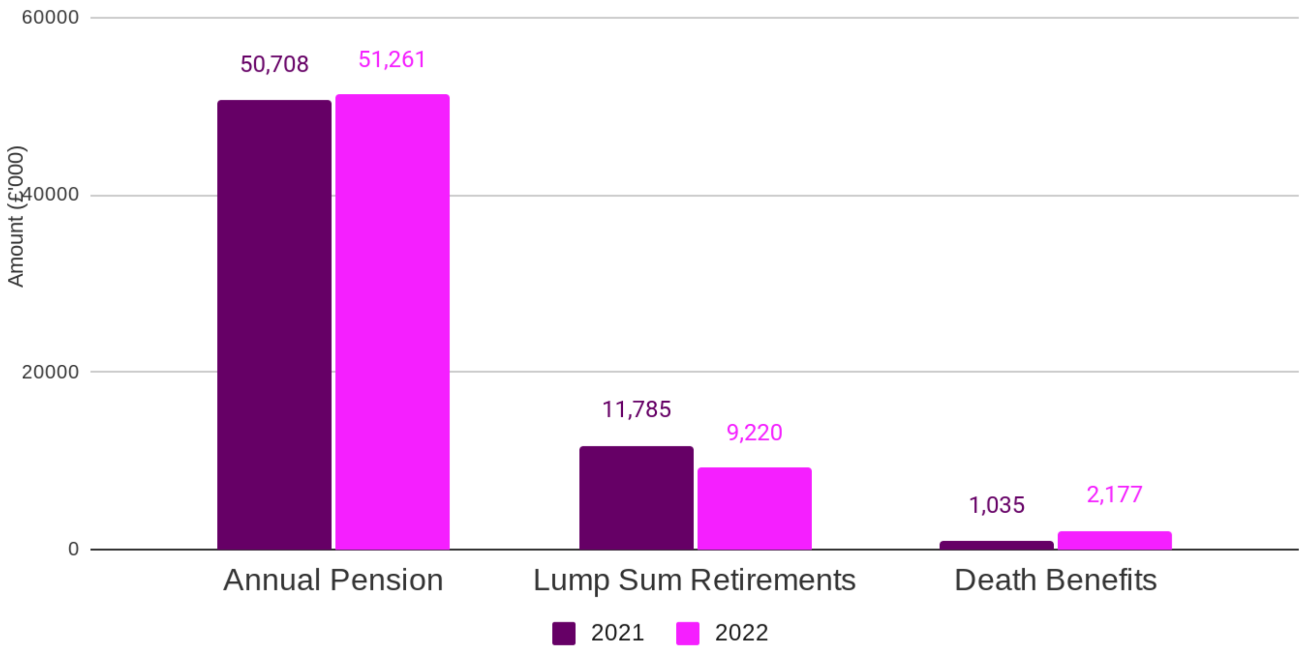
The benefits paid out from the Fund comprise annual pensions, lump sum payments on retiring and, where applicable, death in service payments, whereby lump sums equivalent to 3x final salary are paid out to nominated beneficiaries. Total benefits paid out during 2021/22 amounted to £62.7 million compared to £63.5 million for the year 2020/21. Benefits paid during the year were as follows: 81.8% pensions, 14.7% lump sums and 3.5% death related benefit payments.

Benefits Paid Out in 2021/22

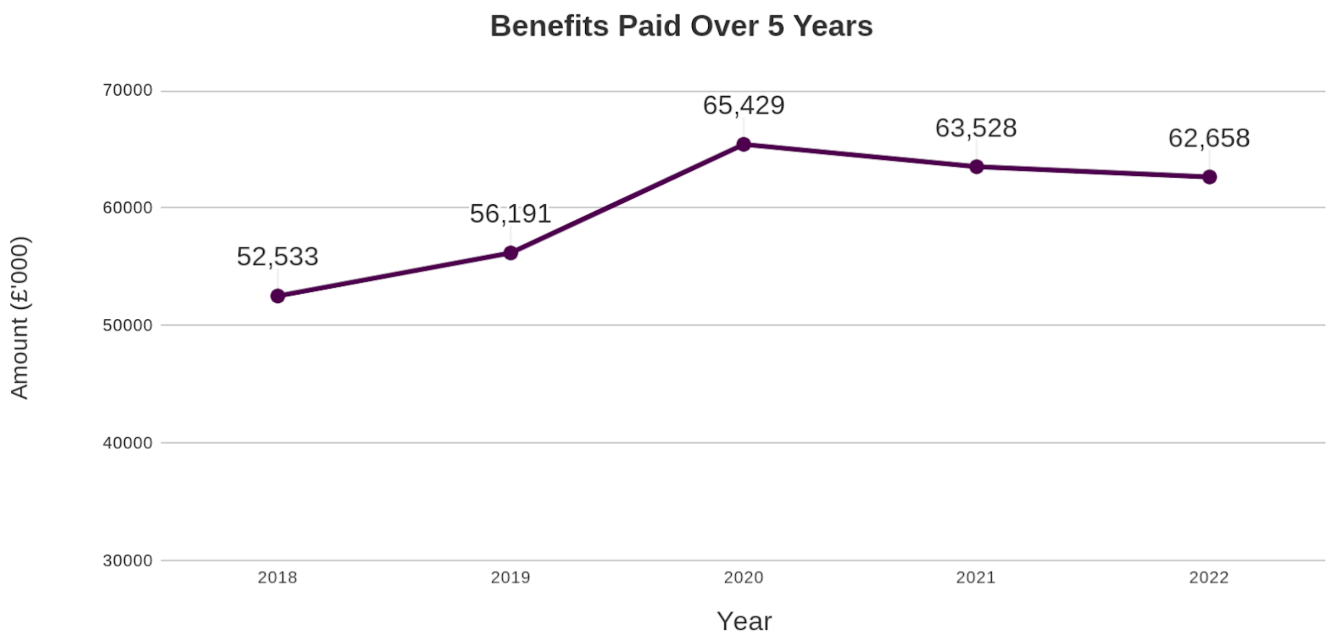


Looking at the year-on-year changes, annual pension payments increased by 1.1%, reflecting a slight increase in the number of pensioners by 3.8%. Lump sum payments reduced by 21.8% over the year; a combination of member choice on lump sum commutation and as a result of the number of pension benefits accrued pre-2014 when the scheme changed. Death benefits increased significantly by 110.3% over the year, from £1,035k to £2,177k.

Benefits Paid Out in 2021/22 Compared to Previous Years



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



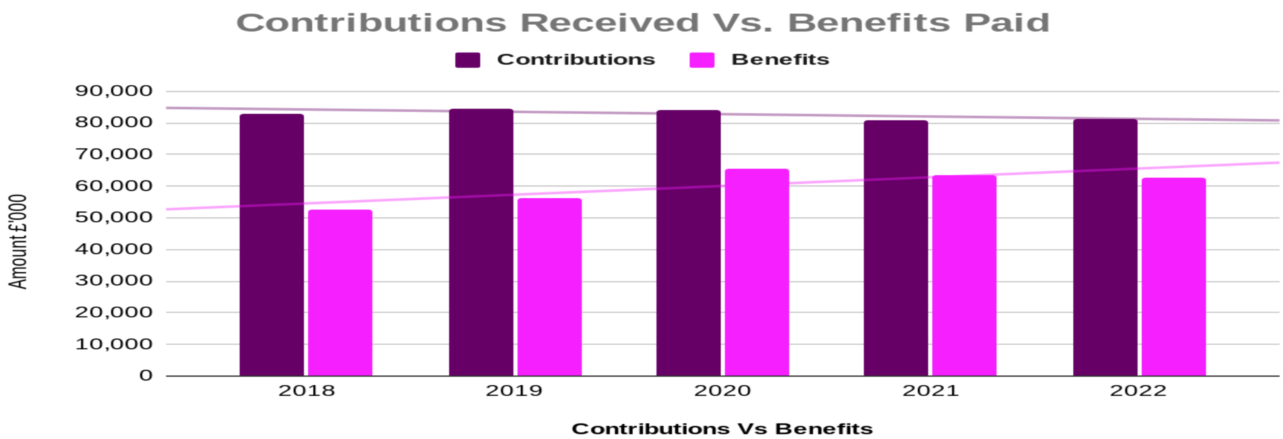
Pension benefits being paid out of the Fund has generally increased over the years, with a moderate rise of 16.4% in 2019/20 and a slight decline in following years. Much of the steady increase in previous years was driven by inflationary increases rather than a large increase in the number of pensioners.

Transfers in and out

Transfers into the Fund during the year totalled £5.0m, compared to £4.6m during 2020/21. The Fund has also paid refunds to members who have opted out of the scheme and made individual transfers to other schemes. For 2021/22 the total value of payments to and on account of leavers was £8.4 million, compared to £6.4 million in 2020/21.

Overall Member Cashflows

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



Management Expenses

Management expenses incurred during the year totalled £15.2m (£12.0m in 2020/21), which comprised administrative costs of £785k (£849k in 2020/21), oversight and governance costs of £1,369k (1,166k in 2020/21) and investment management costs of £13,020k (£9,988k in 2020/21).

Investment management costs increased significantly over the last few years. The key drivers of the rise in costs have been an increase in indirect fund manager fees disclosed via the Cost Transparency Initiative (CTI) template, which provides greater detail on the breakdown of investment costs; an increase in assets under management during the year and the move into illiquid asset classes such as private debt and infrastructure which incur higher fees.

2022/23 Budget

The Pensions Committee agrees the budget for the Pension Fund on an annual basis and monitors progress quarterly, taking into consideration anticipated income and expenditure for the forthcoming year along with a comparison to the forecast set in the previous year. The summary below presents the budget for 2022/23 relative to the 2021/22 outturn and sets out the key assumptions made.

Cash inflows from members are expected to increase slightly from £81,130k in 2021/22 to £82,490k in 2022/23. Employer contributions are forecast to increase slightly during the year; the Council's contribution rate will be maintained at 30%, but it is expected that employer pay budgets will need to increase as a result of inflationary pressure, driving up overall employer contribution payments. Employee contributions are also forecast to rise in line with the Council's budgeted pay increase, with no allowance made for changes in active member numbers, as this is not expected to change significantly. Accurately forecasting transfers into the Fund is challenging as they are driven by member behaviour; however, in the absence of other information an average of the last 3 years totals has been assumed.

Key assumptions made around member cash inflows are as follows:

- Employee and employer contributions are assumed to be increased by 2%, in line with the Council's budgeted pay award for 2022/23. No change in contribution rates is forecast as the Council's contribution rate will be maintained at 30%.
- No material change in active member numbers is assumed, with no significant movement between contribution bands.

Member cash outflows are forecast to increase to £72,182k from £71,072 in 2021/22. Pension payments are expected to increase during the year as a result of the 3.1% inflationary uplift from the Pensions Increase Order. Lump sum commutations and death grants are expected to increase in a similar fashion. This increase is significantly higher than the 0.5% uplift applied for 2020/21. Similar to transfers in, transfers out are extremely difficult to forecast accurately as they are driven by member behaviour; an average of the last 3 years' figures has therefore been used.

Key assumptions made around member cash outflows are as follows:

- Annual pension and lump sum payments are assumed to increase by 3.1% in line with the Consumer Prices Index (CPI), driving the forecast increase in pensions payable. This is significantly higher than the 0.5% increase during 2021/22.
- No material change in pensioner numbers, profile or number of deaths is assumed.
- No significant change to lump sum commutation rates is assumed, thus maintaining the pre-existing balance between annual pensions payable and lump sum payments

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

Operating costs are forecast to increase from £15,174k in 2021/22 to £15,759k in 2022/23. Administration costs are forecast to increase significantly from £785k to £1,766k. This is driven partly by a forecast increase in the cost of the Fund's third party administration contract from 1st January 2023, including a one-off payment for software upgrades. The cost of work on ongoing projects such as McCloud also remains high; some of these costs have previously been included in the Oversight and Governance section, but have now been reclassified as administration costs to help improve transparency and comparability with other LGPS funds.

Oversight and governance costs have therefore seen a corresponding decrease, and are forecast to reduce from £1,369 to £973k. Costs include the Fund's Actuary and Investment Consultant, the internal Investment and Accounting team and assistance from senior Council staff. Advice from the Fund's Governance Consultant is also included.

Given the difficulty of producing a reliable estimate, investment management costs are forecast on the basis of the 2021/22 outturn. The majority of investment management fees are charged on the basis of assets under management; as these can fluctuate significantly during the year depending on market conditions, producing a reliable estimate is challenging. Significant increases in asset values during the year would improve the Fund's funding position but would result in an increase in investment management fees relative to budget, although costs are expected to reduce due to increased pooling.

Volatility in the Fund's investment income level makes producing a reliable full year estimate challenging; the 2021/22 outturn has therefore been used as the budgeted amount for 2022/23.

Overall, the 2022/23 budget indicates a decrease in the Fund's net cash inflows, from £14,136k in 2021/22 to £13,800k in 2022/23. This is largely caused by the inflationary uplift to pension payments and an increase in administration costs during the year.

Pension Fund Budget & Forecast 2022/23			
	2020/21	**2021/22**	**2022/23**
	FY Outturn	**FY Outturn**	**FY Forecast**
Members Income			
Employers Contributions	(62,330)	(61,452)	(62,561)
Employees Contributions	(13,996)	(14,652)	(14,945)
Transfers In	(4,625)	(5,026)	(4,984)
	(80,951)	**(81,130)**	**(82,490)**
Members Expenditure			
Pensions	50,708	51,261	52,850
Lump Sum Commutations & Death Grants	12,820	11,397	11,750
Transfers Out	6,185	8,157	7,399
Refund of Contributions	209	160	183
Employer Exit Credits	0	97	0
	69,922	**71,072**	**72,182**
Net (additions)/withdrawals from dealings with members	**(11.029)**	**(10,058)**	**(10,307)**
Management Expenses			
Administrative Costs	849	785	1,766
Investment Management Expenses	9,988	13,020	13,020
Oversight & Governance Costs	1,166	1,369	973
	12,003	**15,174**	**15,759**
Net (surplus)/deficit from operations	**974**	**5,116**	**5,452**
Investment Income			
Investment Income	(20,119)	(19,252)	(19,252)
Net Investment Income/Expenditure	**(20,119)**	**(19,252)**	**(19,252)**
Cash flow before Investment Performance	**(19,145)**	**(14,136)**	**(13,800)**

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 Q1 2017/18, with the terms of the new contract taking effect from 1 July 2018.

The Fund's contract with Equiniti covers a range of services, including record keeping for the Fund's active, deferred and pensioner members, benefits administration and payroll, maintenance of a separate bank account and accounting for member cashflows. The total cost of administration for the Fund (including the Equiniti contract) in 2021/22 was £785k, compared to £849k in 2020/21. This slight increase was the result of work on development of the Pension Fund website and pension data service interface.

Developments under the new administration contract include the following;

- ESS (employer self-service) – a secure portal for employers to upload member data directly to the administration system; data validation at the point of entry and rejection if not within set parameters. The onboarding was delayed due to the Covid-19 pandemic but throughout 2021-22 the largest employers, the council has on-boarded onto the ESS direct data entry plus several other smaller employers. Equiniti are continuing with the employer onboarding process.
- Payroll Interface - meaningful progress has now been made on development of a new interface for the Council and 2020-21 data has been loaded electronically using the ESS platform
- Communications suite (member letters, member factsheets, forms etc) – fully updated and improved, and are live on the website
- Scheme guides – both brief and full versions for members have been updated and are now in the process of being reviewed again to ensure they are kept as current as possible
- Employer's Guide to LGPS Pension Administration – electronic version complete and live on the website
- Employer reporting – enhanced reporting on employer administration performance
- Breaches reporting – enhanced 'breaches of the law' reporting enabling Fund to better assess material/non-material breaches

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

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

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

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

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

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

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

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

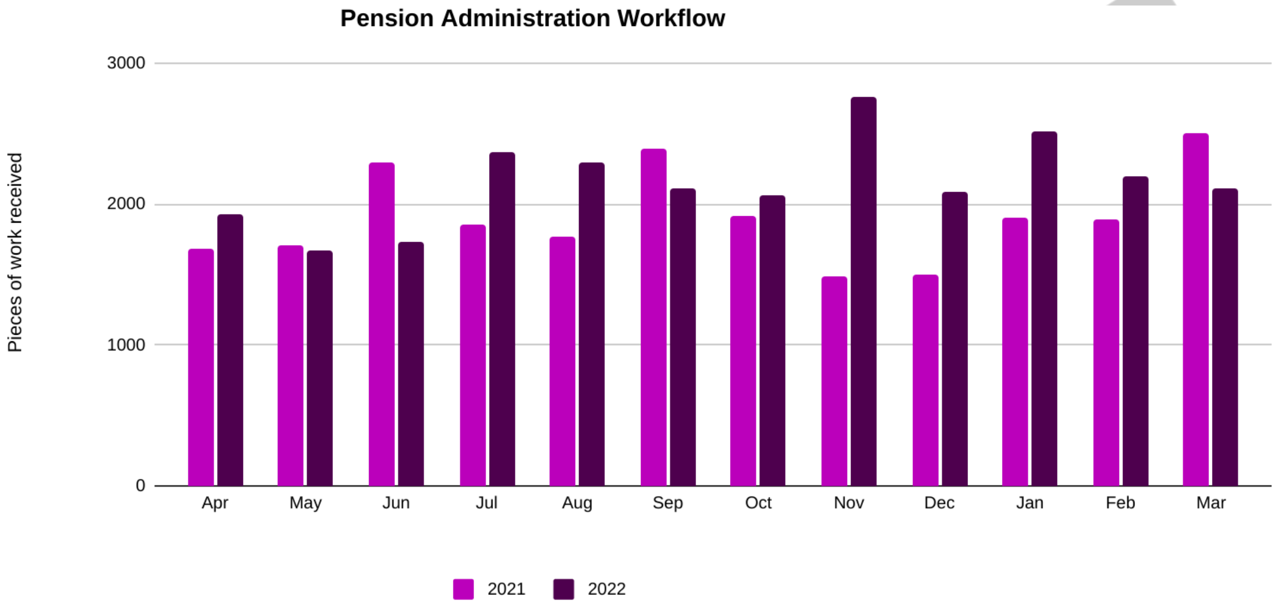
The number of received IDRP cases in the year was 8. The analysis is as follows:-

Case Type	Resolution
Retrospective release of benefits under ill health	Upheld – was sent back to Employer for reassessment under the ill health process
CETV dispute	Upheld and additional payment out made to correct position
Refund & AVC payment dispute	Partially upheld- refund was not due but administration failures were acknowledged
Late retirement/maladministration claim	Partially upheld and Equiniti sent further detailed information
Length of Service/transfer in claim	Not upheld
Historical transfer out claim	Not upheld
Divorce quotation	Partially upheld and quote provided
AVC Investment delays	Upheld and investment was backdated by AVC provider

Administration Management Performance

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

Over the last year the total cases received by the administrators have increased from 22,928 cases in 2020/21, to 24,789 in 2021/22, an increase of 1,861 cases. The average number of cases received monthly has increased to 2,066 from 1,911 in 2020/21. The workload for 2021/22 in comparison to 2020/21 is shown in the chart below: -



There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner. By 31st August 2021, the Fund had sent out 5,784 annual benefit statements to active members, with some 850 missing the deadline. By 31st October 2021 the fund had sent out statements to all active members who were due one. All deferred member statements missed the 31st August deadline, with 6,420 being issued by 30th September and the remaining 919 were issued in October. Some 1,200 deferred statements could not be issued due to no verified address being held.

A separate exercise was commenced to try to trace up to date addresses for the deferred members where no current address is held and also to verify allahabad referred addresses.

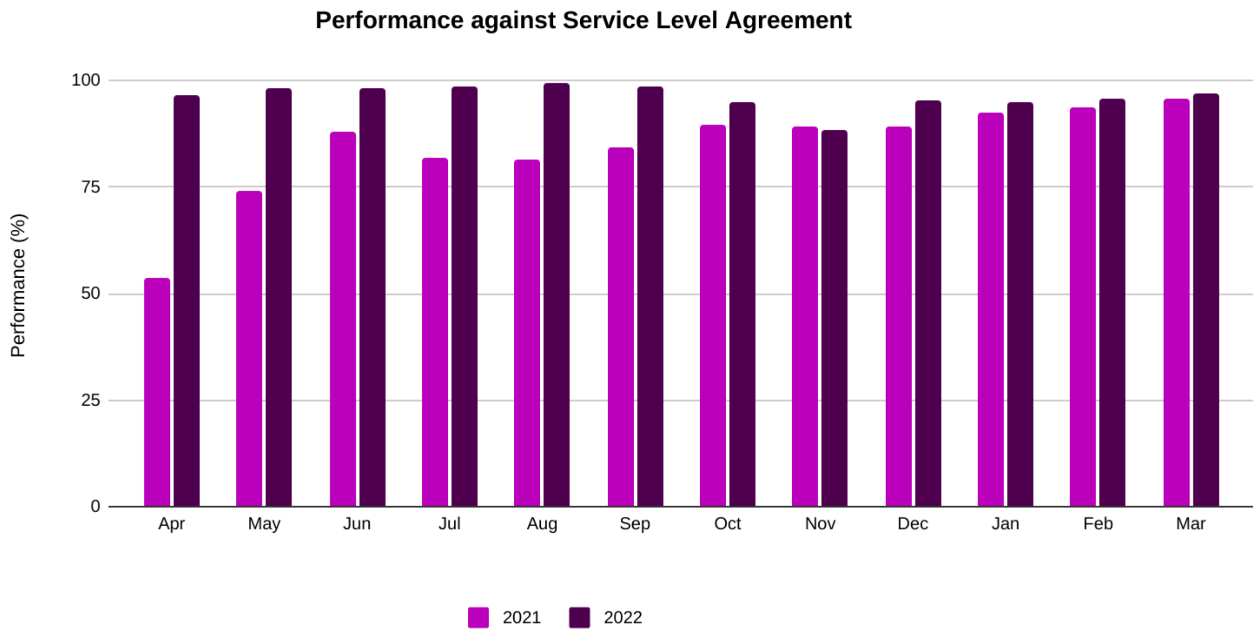
It was disappointing that such a large proportion of statements were late this year given work that was done in previous years to improve the process. The Fund has worked closely with Equiniti to ensure more internal controls are in place for next year's programme.

There were a total of 32 complaints made against the administrator from members of the Fund in the reporting year, which equates to 0.13% of the total workload. Of the 32 complaints, 22 were upheld and a correction and/or an apology was made by the administrator.

The cost of administration in 2021/22 was £785k, compared to £849K in 2020/21. 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 £30.76 based on the current cost and membership at 31 March 2022, compared to £34.35 per member at 31 March 2021.

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

Performance under the pension administration contract when compared to the service level agreement (SLA), was 84.5% for 2020/21 as a whole, and performance has increased to 96.3% for the year 2021/22. The administration performance v SLA during 2020/21 in comparison to 2021/22 is shown in the chart below: -



It is clear that the administration performance has improved this year and that the drop seen last year due to the "lockdown" measures is no longer having an impact on the business as usual services. This is reflected in the SLA performance targets. The administering authority continued to monitor performance through the monthly SRMs (service review meetings) with Equiniti, and the SLA targets have indeed seen an increase this year.

Summary of other Activities Undertaken by the Fund

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

- The year-end pension payroll process has been completed for both the monthly and annual payrolls including the application of the pension increase (PI), reconciliation of the payrolls, production of P60s and reporting to HMRC
- System year end update of pension increase; Lifetime Allowance and Annual Allowance earnings and contribution histories was completed
- Data submissions:
- - FRS102 data submitted to the Actuary for 16 employers
- - Data submission for Club Vita longevity studies
- - 5 cessation valuation calculations for a ceased employer
- - Monthly HEAT data capture report to the Actuary
- Overpayment of pensions - identified overpayments to a value of £18,106.78 occurred during the year. These were as a result of late death notifications and re-employment cases. Out of these overpayments £15,769.75 has been recovered.

Below is the number and trend of the top case types the administrators have dealt with in the year 2021/22:

Case Type	Number in Year
Death Notifications	409
Leavers including opt outs	2,045
New Entrants	1,501
Transfer In	265
Transfer Out	187
Retirement Quote	1,464
Retirement Finalisations	558
GMP	5
Divorce	77

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

As at the start of 2021/22, the Fund's records were 100% reconciled and therefore the project moved into its third phase project(Rectification and certification of records). Rectification of records took place, with pensioner payroll being adjusted in October and November 2021.

Pre-retirement workshops -The Pensions Team arranged a series of ‘Pre-retirement workshops’ with a company called Affinity Connect, aimed at members who are thinking of retiring within the next 2 to 5 years. These workshops began in May 2018, and during 2020/21, due to the Covid-19 lockdown, Affinity were able to switch to remote sessions and these have continued into 2021/22, with sessions being held in June, September, November and February. Affinity provides the facilitator, learning material and bookings for the seminars/workshops free of charge to the Fund and are aimed at members who are thinking of retiring within the next 2 to 5 years. Feedback from the sessions has been very positive.

Annual Employers’ Forum - The annual Employers’ Forum was held on 9 March 2022, and was attended by 15 of the Fund’s employers. The Forum’s agenda was varied and covered subjects from the Fund overview, the McCloud Judgement and the onboarding of employer self-service. Equiniti presented the year-end data timetable & processes for the annual benefit statements, whilst the Fund Actuary (Hymans Robertson) provided a valuation update. Aon, the Fund’s benefits and governance consultants, provided an update on hot topics within the LGPS.

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

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
CleanTec (Jubilee)	01/08/2021		
May Harris	20/08/2021		
Radish	01/09/2021		
Schools Offices Services Ltd	01/01/2022		
Birkin Cleaning (Jubilee & Gayhurst)		31/07/2021	TBC
SND Cleaning Services (Shoreditch Park)		19/08/2021	TBC
PJ Naylor (Baden Powell)		31/08/2021	TBC
Compass Group (Rushmore)		03/09/2021	TBC
Renaisi		04/02/2022	TBC

Redundancy Exercises for Departmental Budget Purposes - In 2021/22, the administering authority’s pension team received a total of 342 redundancy estimate requests, some of these were for members over the age of 55 who will have their pension released. The team provided member leaver paperwork for 14 employees who were made redundant.

Ill-Health Retirements

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

Ill Health Retirements April 2021 to March 2022			
Deferred to Ill Health	Active to Tier 1	Active to Tier 2	Active to Tier 3
9	10	1	2

McCloud Remedy

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

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

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

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

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

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

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

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

Pension Administration Strategy (PAS)

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

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

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

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided.

The Pension Administration Strategy (PAS) is reviewed and updated on an annual basis, or as and when regulations change. The updated PAS 2022/25 was applied during this financial year.

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

Dedicated 1-2-1 sessions for scheme members continue to be popular (although these have switched to 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. The team have also presented at weekly induction sessions for new employees, ensuring they are provided with information on the benefits of the Pension Scheme. These induction sessions have been held remotely and an induction video has also been used. Feedback from these sessions continues to be extremely positive, with enquiries to the inhouse pension team being generated which has led to greater engagement with members.

Monitoring of Employers and Data

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

During 2021/22, the Fund sought to recoup additional administration costs from several employers and schools not complying with the Pensions Administration Strategy. Where there are instances of non-compliance, additional administration costs are recouped directly from those employers and schools concerned in regard to data irregularities, late payment of contributions or late submissions of data during the year. Contribution collections are subject to rigorous monitoring and the pursuit of correct payments and supporting documentation remains of paramount importance to the administrators.

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

Employers are currently onboarding onto ESS, which allows for monthly data collection which directly flows onto the administration system. For those employers who have not gone live on the system yet, member data, which can include the monthly contribution payment and supporting data, is sent to Equiniti using the secure upload facility Sharefile. Sharefile 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 breakdown of late submissions in relation to contributions and supporting data, is provided below: -

Month	Description	Number of Late Submissions
Apr-21	Contributions HK221 data Levy raised	3 2 2
May-21	Contributions HK221 data Levy raised	2 4 0
Jun-21	Contributions HK221 data Levy raised	1 1 0
Jul-21	Contributions HK221 data Levy raised	2 5 0
Aug-21	Contributions HK221 data Levy raised	0 1 1
Sep-21	Contributions HK221 data Levy raised	0 1 0
Oct-21	Contributions HK221 data Levy raised	1 1 0
Nov-21	Contributions HK221 data Levy raised	1 1 0
Dec-21	Contributions HK221 data Levy raised	4 6 0
Jan-22	Contributions HK221 data Levy raised	2 1 0
Feb-22	Contributions HK221 data Levy raised	0 3 0
Mar-22	Contributions HK221 data Levy raised	0 0 0

A continuous programme of improving the relationships between employers, payroll providers and Equiniti, the scheme administrators, has assisted in ensuring employers are aware of the importance of correct reporting and the timely submission of data. The onboarding of more employers to ESS will further enhance the quality and timeliness of employer data, thus improving the common data scores as reported to the Pension Regulator. The necessary data reports were run in December 2021 by Equiniti with the scheme scoring 94% for common data and 95% 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 Public Service Code of Practice to help maintain and improve the governance and administration of public service pension schemes. The Code is directed at Scheme Managers (Funds) and the local Pensions Boards. The role of each local Pensions Board is to help ensure their scheme complies with governance and administration requirements as defined by the Code.

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

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

During 2021/22, a breach was reported to tPR in respect of not meeting the deadline for issuing all annual benefit statements on time. tPR indicated that it will not take any further action as long as all the statements that it was possible to issue were issued by the end of October, which the Fund did do. tPR has been updated accordingly.

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 2.75% over the last financial year. Deferred memberships have increased by 3.24% and Pensioners have increased by 3.84%. Overall, membership has increased by 3.28%, from 24,714 to 25,525 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 types of risk that the Fund is exposed to fall into the following broad categories:

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

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

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

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

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

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

2. Funding and Investment Risks
    a. Asset risk (e.g. Concentration, illiquidity, currency risk, manager underperformance, inflation)
    b. Funding/liability risk (e.g. level of employer contributions, demographics, pensions increases)
    c. Other investment provider risk
    d. Asset pooling risk
    e. Responsible investment risk
    f. External factor / regulatory risk
    g. Employer covenant / affordability risks

3. Administration and Communications Risks
    a. Poor membership data
    b. Poor employer engagement
    c. Poor member engagement
    d. Pension Overpayments - increased costs through failure to cease pension payments
    e. Discretionary Policies - insufficiently robust policies expose Fund to higher costs
    f. Poor delivery of administration service
    g. External factors including regulatory changes impact the administration of the Fund

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

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

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

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

Investment Policy and Performance Review

Asset Allocation

The table below sets out the Fund's target asset allocation as per its Investment Strategy Statement (ISS) relative to its actual asset allocation as at 01 April 2021 and 31 March 2022.

Asset Class	Target Allocation	Actual Allocation 01/04/2021	Actual Allocation 31/03/2022
UK Equities	0.0%	8.3%	0.0%
Global Equities (inc. UK)	36.0%	43.8%	49.0%
Emerging Market Equities	4.5%	5.3%	3.9%
Total Equities	**40.5%**	**57.4%**	**52.9%**
Property	10.0%	8.4%	9.7%
Multi Asset	7.5%	9.3%	7.3%
Infrastructure	5.0%	0.0%	1.3%
Bonds	17.0%	18.7%	17.9%
Private Debt	20.0%	5.5%	10.5%
Other investments (inc. MMFs)	0.0%	0.7%	0.4%
Total	**100.0%**	**100.0%**	**100.0%**

The Fund has made changes in its asset allocation during the year in line with revisions made to its investment strategy; these are reflected in an update to the Investment Strategy Statement (ISS). The key aims of the restructure were a planned overall reduction in the Fund's target equity exposure to 40.5%, with the proceeds to be used to fund an increase in the Fund's allocation to private debt from 10% to 20%, in addition to increased use of the London CIV's ACS platform and reduced exposure to carbon reserves. The Fund's target allocation to multi-asset funds was also reduced from 12.5% to 7.5%

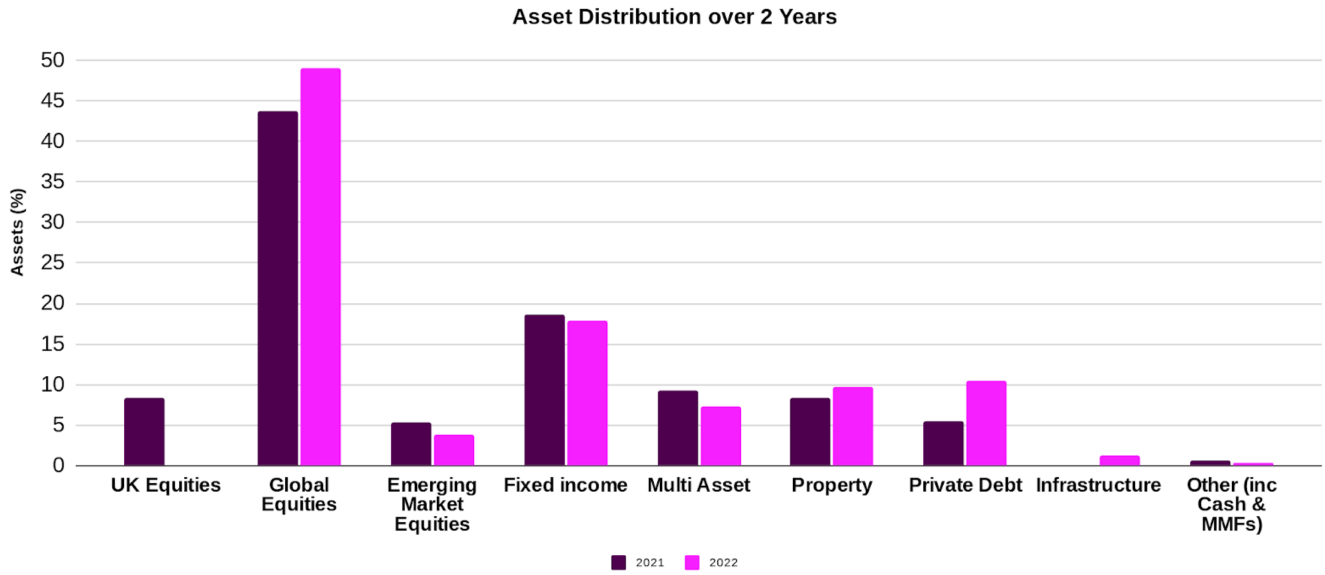
The Fund has to date reached an interim point in this restructure. The Fund has appointed the London CIV to manage its new allocation to private debt and the drawdown of capital into this mandate has now commenced. The allocation will be funded over a period of approximately 2 years and will be funded from the Fund's global equity and ultra short bond portfolios. The Fund is therefore currently overweight in global equities relative to its target allocation, whilst the overweight on ultra short bonds is partially offset by an underweight on the Fund's sterling credit portfolio.

Towards the end of 2020/21, the Fund also made a commitment to invest 5% of its assets in a renewable infrastructure fund. The London CIV has been appointed to manage this allocation, and the first drawdowns of capital have now been made. The allocation represented 1.3% of the Fund's investment assets by year end, with drawdowns due to continue through 2022/23.

Changes have also been made to the Fund's multi asset allocation. The target allocation has been reduced from 12.5% to 7.5%, and the Fund has moved its remaining exposure to the London CIV. The Fund has also pooled its allocation to emerging market equities.

As at 31st March 2022, the Fund held 43.5% of assets via the London CIV, and 21.8% of assets (passive global equity) in a passive life fund and an ACS structure overseen by LCIV. 65.3% of the Fund's assets can therefore be considered to be pooled; the Fund's ambition is to pool approximately 85% of its assets over 5 years.

The following chart sets out how the distribution across the various asset classes has changed between the start of April 2021 and the end of March 2022.



2021/22 has seen a number of manager changes, in line with the changes to the Fund's investment strategy. The Fund's multi asset allocation has been reduced, with both previous portfolios sold down and the remaining exposure moved to the London CIV. The Fund has also pooled its emerging market equities, and made allocations to a number of other pooled mandates within the London CIV.

The table below sets out the Fund's managers and the asset classes they manage as at 31 March 2021 and 31 March 2022.

Fund Manager	Value £'000 2021/22	% of investment assets 2021/22	Value £'000 2020/21	% of investment assets 2020/21
Investments managed by London CIV:				
BlackRock (UK Equity Index)	-	0.0%	152,811	8.3%
BlackRock (Global Equity Index)	422,086	21.8%	518,438	28.1%
LCIV/RBC (Global Active Equity)	316,647	16.3%	290,405	15.7%
LCIV/JP Morgan (Global Emerging Markets)	76,415	3.9%	-	0.0%
LCIV/Baillie Gifford (Global Multi Asset)	140,709	7.3%	-	0.0%
LCIV/Baillie Gifford (Global Equities)	211,844	10.9%	-	0.0%
LCIV/Churchill & Pemberton (Private Debt)	73,242	3.8%	-	0.0%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	24,900	1.3%	-	0.0%
	1,265,843	**65.3%**	**961,654**	**52.1%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	254,430	13.1%	255,782	13.9%
Threadneedle (Property)	187,783	9.7%	155,736	8.4%
GMO (Global Real Return)	-	0.0%	104,421	5.7%
BlackRock (Ultra Short Bond Fund)	93,513	4.8%	88,974	4.8%
RBC (Global Emerging Market Equities)	-	0.0%	97,123	5.3%
Invesco (Global Multi Asset)	-	0.0%	66,629	3.6%
Churchill (Private Debt)	58,428	3.0%	54,041	2.9%
Permira (Private Debt)	70,930	3.7%	47,222	2.6%
Other investments (including MMFs & Derivatives)	6,986	0.4%	12,668	0.7%
	672,070	**34.7%**	**882,596**	**47.9%**
Total	**1,937,913**	**100%**	**1,844,250**	**100%**

The Fund's custodian throughout the year was HSBC.

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 is measured by Hymans Robertson against a customised benchmark.

Over the year to 31st March 2022, the Fund returned +6.1%, below the local authority pension fund average of +8.6% and put the Fund in the 74th percentile of funds signed up to PIRC's Local Authority Pension Performance Analytics service (about 2/3rd of local authority funds). The key drivers of the underperformance were below average returns in the Fund's equity and diversified growth portfolios, as well as a higher allocation to bonds and lower allocation to alternative assets relative to other LGPS funds.

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 2022, the Fund has measured performance against benchmark and target by asset class with performance disclosed separately for local and pooled assets.

Performance against benchmark by asset class for 2021/22 is set out in the table below. It should be noted that the Fund's infrastructure and private debt mandates (both pooled and unpooled) are still in the drawdown phase. Given the early stage of these mandates, no meaningful performance information is currently available

	Opening value		Closing value		Performance		Passive Index	Local Target
					Gross	Net		
Asset category	**£000s**	**%**	**£000s**	**%**	**%**	**%**	**%**	**%**
Asset pool managed investments								
Active listed equity	290,405	15.7%	604,906	31.1%	8.26%	7.86%	10.27%	12.51%
Passive listed equity	671,249	36.4%	422,086	21.8%	14.41%	14.38%	14.01%	14.01%
Private debt	-	0.0%	73,242	3.8%	n/a	n/a	n/a	n/a
Infrastructure	-	0.0%	24,900	1.3%	n/a	n/a	n/a	n/a
Multi asset funds	-	0.0%	140,709	7.3%	4.10%	3.42%	3.69%	3.69%
Total	**961,654**	**52.1%**	**1,265,843**	**65.3%**				
Non-asset pool managed investments								
Active listed equity	97,123	5.3%	-	0.0%	0.00%	0.00%	0.00%	0.00%
Active listed fixed income	255,782	13.9%	254,430	13.1%	-2.72%	-2.88%	-2.60%	-1.60%
Passive listed fixed income	88,974	4.8%	93,513	4.8%	0.01%	0.00%	0.07%	0.07%
Private debt	101,263	5.5%	129,358	6.7%	n/a	n/a	n/a	n/a
Property	155,736	8.4%	187,783	9.7%	10.68%	10.04%	11.91%	12.91%
Cash	12,668	0.7%	6,986	0.4%	n/a	n/a	n/a	n/a
Multi-asset funds	171,050	9.3%	-	0.0%	n/a	n/a	n/a	n/a
Total	**882,596**	**47.7%**	**672,070**	**43.3%**				
Grand total	**1,844,250**	**100.0%**	**1,937,913**	**100.0%**				

Investment Management Expenses

Investment management expenses for the year to 31 March 2022 were £13.02m, which represents an increase of £3.03m on 2020/21. Investment management expenses cover the fees charged by the Fund's individual investment managers, the London CIV and the Fund's custodian.

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

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

2021/22 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	433	51	-	-	484
Equities	-	-	-	-	-
Pooled Investments	4,556	2,856	132	-	7,544
Pooled Property Investments	2,599	584	-	20	3,203
Private Debt	1,678	4	21	-	1,703
Infrastructure	39	-	4	-	43
Cash	-	-	12	-	12
Custodian	-	-	31	-	31
Total	**9,305**	**3,495**	**200**	**20**	**13,020**

Pool Reporting

The Fund began the process of pooling its assets during 2018/19. The Fund has been a member of the London CIV since its inception during 2014; however, 2018/19 was the first year in which it held assets on LCIV's ACS platform or in arrangements overseen by LCIV. The Fund made a number of significant allocation changes during 2021/22, which included an additional pooled global equity allocation and the pooling of the Fund's multi asset and emerging market equity allocations. The Fund also began the process of funding its renewable infrastructure and private debt allocations held via the London CIV. The proportion of assets pooled has therefore significantly increased during the year from 52.1% to 65.3%.

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

Pooling set up costs:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£'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	200
Other costs (development fee)	-			75	65	65	85	85	375
TOTAL SET UP COSTS	**25**	**175**	**25**	**100**	**90**	**90**	**110**	**110**	**725**
Transition costs:									
Transition fees (fees and commissions)	-	-	-	-	352	-	-	1,100	1,452
Other transition costs (taxes & other charges, bid-offer spread, pooled fund spread)	-	-	-	-	636	-	-	(3,800)	(3,164)
TOTAL TRANSITION COSTS	**-**	**-**	**-**	**-**	**988**	**-**	**-**	**(2,700)**	**(1,712)**

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 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 2022. The Fund has also contributed £150k in regulatory capital for the London CIV and this is held as an investment asset on the Fund's balance sheet.

Pooling costs and savings to date:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Set up costs	25	175	25	100	90	90	110	110	**725**
Transition costs	-	-	-	-	988	-	-	(2,700)	(1,712)
Fee savings	-	-	-	-	(230)	(668)	(637)	(976)	(2,511)
NET SAVINGS REALISED	**25**	**175**	**25**	**100**	**848**	**(578)**	**(527)**	**(3,566)**	**(3,498)**

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 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 2022, set up and transition costs are outweighed by estimated transition costs and fee savings of £3,498k. Negative transition costs on the 2021/22 transition costs contributed significantly during 2021/22, but at an estimated £2,511k, cumulative estimated fee savings are 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.

Actuarial Review

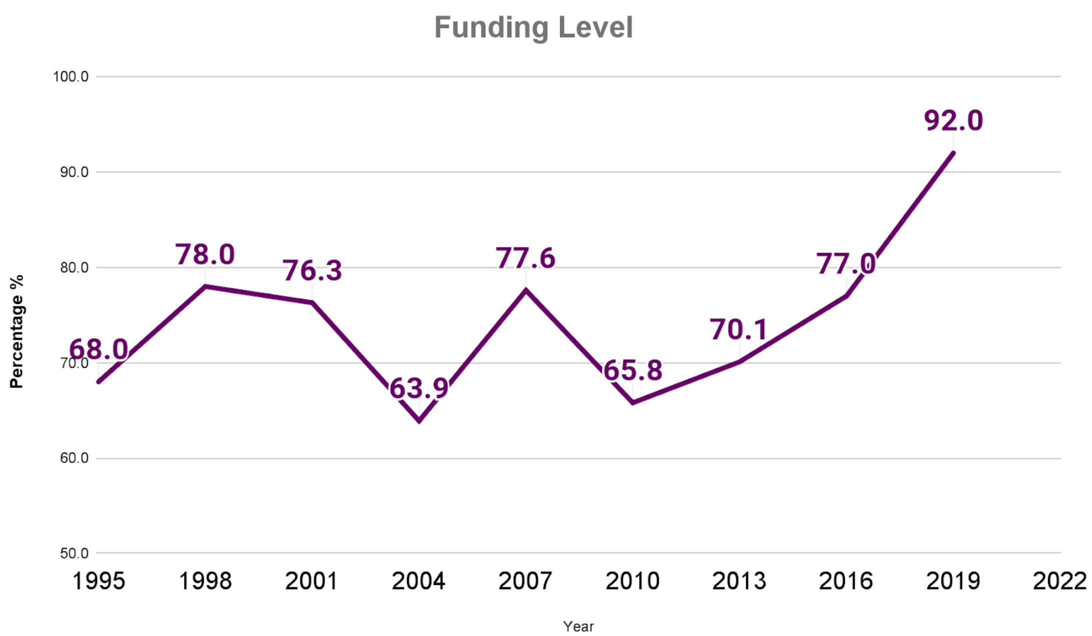
Background

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

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



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

The 2019 valuation, which applied during the year 2021/22, assessed the whole fund primary contribution rate as being 18.7% (18.7% in 2020/21), with a secondary rate monetary contribution of £21.348m (£23.543m in 2020/21). These figures are for the Fund as a whole and individual employer rates can vary significantly from the overall Fund level. Individual contribution rates payable by employers are set out in the Rates and Adjustment Certificate.

The employer contribution rate for the Council, the largest employer in the Fund was 30.0% (31.5% in 2020/21) for the year ending 31 March 2022.

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

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

Report of the Fund Actuary

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

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Hackney Pension Fund ("the Fund").

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

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

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

Present Value of Promised Retirement Benefits

Year ended	31 Mar 2022 £m	31 Mar 2021 £m
Active members	1,049	1,018
Deferred members	779	835
Pensioners	828	889
Present value of Promised Retirement Benefits	**2,656**	**2,741**

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £175m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £14m.

Financial assumptions

Year ended	31 Mar 2022 % p.a.	31 Mar 2021 % p.a.
Pension Increase Rate	3.20%	2.75%
Salary Increase Rate	3.50%	3.05%
Discount Rate	2.70%	1.95%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is 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 improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.1 years	23.6 years
Future Pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	25.6 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity analysis

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

Change in assumptions at 31st March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	48
0.1% p.a. increase in the Salary Increase Rate	0%	3
0.1% p.a. decrease in the Discount Rate	2%	52
1 year increase in member life expectancy	4%	106

Professional notes

This paper accompanies the ‘Accounting Covering Report – 31 March 2022’ which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Laura McInroy FFA

6 April 2022

For and on behalf of Hymans Robertson LLP

Audit Opinion

Independent auditor's report to the Members of the London Borough of Hackney to follow in Final Audited Statement of Accounts

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Statement of Responsibilities

The Authority's Responsibilities

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

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

The Chief Financial Officer's Responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and of its income and expenditure for the year then ended.

Ian Williams, CPFA
Group Director, Finance and Corporate Resources

Statement of Accounts 2021/22

Fund Account

2020/21 £'000		Notes	2021/22 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(76,326)	Contributions	7	(76,104)
(4,625)	Transfers in from other pension funds	8	(5,026)
(80,951)			(81,130)
63,528	Benefits	9	62,658
6,394	Payments to and on account of leavers	10	8,414
69,922			71,072
(11,029)	**Net (additions)/withdrawals from dealings with members**		**(10,058)**
12,003	**Management Expenses**	11	**15,174**
	Returns on investments		
(20,119)	Investment income	12	(19,252)
(351,463)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(86,404)
(20)	Taxes on Income		4
(371,602)	**Net returns on investments**		**(105,652)**
(370,628)	**Net (increase)/decrease in the Fund during the year**		**(100,536)**
1,493,348	**Opening net assets of the Scheme**		**1,863,976**
1,863,976	**Closing net assets of the Scheme**		**1,964,512**

Net Assets Statement

2020/21 £'000		Notes	2021/22 £'000
1,833,627	Investment Assets	13a	1,933,215
150	Long-Term Investment	13a	150
10,606	Cash Deposits	13a	4,880
1,844,383			**1,938,245**
(133)	Investment Liabilities	13a	**(332)**
1,844,250	**Net Value of Investment Assets**	13a	**1,937,913**
158	Long-term debtors	20a	226
22,741	Current Assets	20	30,170
(3,173)	Current Liabilities	21	(3,797)
19,726			**26,599**
1,863,976	**Net Assets of the Fund available to fund benefits at the period end**		**1,964,512**

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

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2021/22, the Pension Fund website https://hackneypension.co.uk and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

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

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

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

b) Membership

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

Organisations participating in the Hackney Pension Fund include:

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

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31st March 2022 there are 40 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2022	31 March 2021
Number of Employers with active members	40	41
Number of Employees in scheme		
Council	6,686	6,502
Scheduled bodies	537	524
Admitted bodies	55	57
Total	**7,278**	**7,083**
Number of pensioners		
Council	7,125	6,870
Scheduled bodies	61	56
Admitted bodies	11	23
Ceased Employers	593	553
Total	**7,790**	**7,502**
Deferred members		
Council	8,671	8,374
Scheduled bodies	813	755
Admitted bodies	27	70
Ceased Employers	946	930
Total	**10,457**	**10,129**
Grand Total	**25,525**	**24,714**

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 2022.

Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last such valuation was as at 31 March 2019 with the next valuation due to take place as at 31 March 2022. Current employer contribution rates can be found in the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2021/22 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 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code),* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue recognition

a) Contributions income

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – Expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) Administrative expenses

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

ii) *Oversight and governance costs*

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

iii) *Investment management expenses*

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

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

Where an investment manager's invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2021/22, there were no fees based on such estimates (2020/21 no fees estimated).

A similar procedure is used for custodian fees, and in 2021/22 there were no fees estimated (2020/21: no fees estimated).

The Fund requests that non-invoiced investment management fees (plus other associated costs such as transaction costs) are disclosed via the Cost Transparency Initiative template. Where cost information is not readily available for the year ending 31st March 2022 (e.g. for pooled funds using different accounting dates), an estimate will be made using the most recent information available.

Net Assets Statement

g) Financial assets

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

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

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

- the shares held in the LCIV do not constitute a joint venture or group arrangements due to lack of control
- the investment is not repayable on demand and does not meet FVOCI requirements and
- These shares are being held as a long-term investment with currently no intention to trade
- the fund is of the view that fair value at 31st March 2022 cannot reliably be measured.

h) Foreign currency transactions

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

i) Derivatives

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

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

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

j) Cash and cash equivalents

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

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

k) Financial liabilities

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

l) Actuarial present value of promised retirement benefits

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

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

m) Additional Voluntary Contributions (AVCs)

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

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

n) Contingent assets and contingent liabilities

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

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

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-22.

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.

Pension Fund Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. The Fund Actuary, Hymans Robertson, provides expert advice about the assumptions to be applied.

The pension fund liability shown in Note 19 is calculated on an IAS19 basis, with economic assumptions updated annually. It is therefore subject to a significant risk of material adjustment in forthcoming financial years. The effect of changes to individual assumptions can be measured, as set out in the table below:

Change in assumptions at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in 'real discount rate'	2%	52
0.1% p.a. increase in the 'salary increase rate'	0%	3
0.1% increase in the 'pension increase rate (CPI)'	2%	48
1 year increase in member life expectancy	4%	106

- To quantify the impact of a change in the financial assumptions used, the Fund actuary has calculated and compared the value of scheme liabilities as at 31 March 2022 on varying bases. The approach taken is consistent with that adopted for IAS19.
- Please note that the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

Unquoted Investment Assets

The Fund's unquoted investments (such as private debt) 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 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 16.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

The Fund remains alert to ongoing developments in the Russian invasion of Ukraine. In determining whether post-balance sheet events require the accounts to be adjusted, the Fund's management has considered whether events after 31 March 2022 provide any further information about the effect of sanctions applied prior to 31 March 2022. The Fund has determined that this is not the case and that no adjustments are required to the amounts recognised in the accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2021/22 £'000	2020/21 £'000
Employers' Contributions split by:		
Normal Funding	(39,163)	(37,935)
Deficit Funding	(22,289)	(24,395)
Members' Contributions	(14,652)	(13,996)
Total	**(76,104)**	**(76,326)**

By Employer	2021/22 £'000	2020/21 £'000
London Borough of Hackney	(71,633)	(72,042)
Scheduled Bodies	(4,133)	(3,965)
Admitted Bodies	(338)	(319)
Total	**(76,104)**	**(76,326)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

	2021/22 £'000	2020/21 £'000
Individual Transfers	(5,026)	(4,625)
Total	**(5,026)**	**(4,625)**

9. BENEFITS PAYABLE

By Category	2021/22 £'000	2020/21 £'000
Pensions	51,261	50,708
Commutation and Lump Sum Retirement Benefits	9,220	11,785
Lump Sum Death Benefits	2,177	1,035
Total	**62,658**	**63,528**

By Employer	2021/22	2020/21
London Borough of Hackney	58,211	59,129
Scheduled Bodies	2,919	2,900
Admitted Bodies	1,528	1,499
Total	**62,658**	**63,528**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021/22 £'000	2020/21 £'000
Refunds to Members leaving service	160	209
Group Transfers	-	-
Individual Transfers	8,157	6,185
Employer Exit Credits	97	-
Total	**8,414**	**6,394**

11. MANAGEMENT EXPENSES

	2021/22 £'000	2020/21 £'000
Administrative Costs	785	849
Investment Management Expenses*	13,020	9,988
Oversight and Governance Costs	1,369	1,166
Total	**15,174**	**12,003**

The investment management expenses disclosed above include non-invoiced management, transaction and other costs paid/payable to the Fund's investment managers of £11,057k (£8,234k in 20/21). The disclosure of the non-invoiced costs is made to the Fund via the Cost Transparency InitiativeTemplate. The introduction of the template is helping to ensure more accurate fee disclosures by managers, with greater detail provided with regards to transaction costs. Audit Fees of £21k including an additional fee variation for 2019/20 audit (£16k in 20/21) were incurred and are included in Oversight and Governance Costs in the above table.

11.A INVESTMENT MANAGEMENT EXPENSES

2021/22 Asset Class	Management Fees £'000	Transaction Costs £'000	Custody Fees £'000	Performance Fees £'000	Total £'000
Bonds	433	51	-	-	484
Equities	-	-	-	-	-
Pooled Investments	4,556	2,856	132	-	7,544
Pooled Property Investments	2,599	584	-	20	3,203
Private Debt	1,678	4	21	-	1,703
Infrastructure	39	-	4	-	43
Cash	-	-	12	-	12
Custodian	-	-	31	-	31
Total	**9,305**	**3,495**	**200**	**20**	**13,020**

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

An estimate of £99k for management fees of an equities fund manager that exited the Fund was settled in 2020/21.

12. INVESTMENT INCOME

	2021/22 £'000	2020/21 £'000
Fixed Interest Securities	(3,736)	(4,179)
Equity Dividends	(6,712)	(9,065)
Index Linked Securities	(183)	(185)
Pooled Investment Income	(7,424)	(5,471)
Interest on Cash Deposits	(26)	(68)
Other Income	(1,171)	(1,151)
Total	**(19,252)**	**(20,119)**

2020/21 has been restated to reflect a reclassification of private debt income from "Other Income" to "Pooled Investment Income".

13. INVESTMENTS

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

a. Analysis of Investments

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

Investment type		Market value 31 March 2022 £'000	Market value 31 March 2021 £'000
Investment Assets:			
Fixed Interest Securities		**187,045**	**184,247**
Index Linked Securities		**50,951**	**53,706**
Equities	Long-Term Investment	**150**	**150**
Pooled Investments	Corporate Fixed Interest	109,947	106,803
	Diversified Growth Funds	140,709	171,050
	Property	187,783	155,736
	Emerging Markets Equity - Active	76,415	97,123
	Global Equity - Active	528,491	290,405
	Global & UK Equity - Passive	422,056	671,220
	Private Debt	202,600	101,263
	Infrastructure	24,900	-
		1,692,901	**1,593,600**
Derivative Contracts			
	Forward Currency	24	60
	Futures	448	135
		472	**195**
Other Investment Assets			
	Cash Deposits	4,880	10,606
	Other Investment Balances	1,846	1,879
		6,726	**12,485**
Total Investment Assets		**1,938,245**	**1,844,383**
Investment Liabilities:			
Derivative Contracts			
	Forward Currency	(151)	(0)
	Futures	(181)	(133)
		(332)	**(133)**
Other Investment Liabilities		**-**	**-**
Total Investment Liabilities		**(332)**	**(133)**
Net Investment Assets		**1,937,913**	**1,844,250**

b. Investments analysed by fund managers

As at 31 March 2022 the Fund’s investments are managed by nine investment managers within the London CIV and five investment managers outside of the London CIV according to defined benchmarks which are set out in the Investment Strategy Statement (ISS). The following is a breakdown of the investments between the Investment Managers.

Fund Manager	Value £’000 2021/22	% of investment assets 2021/22	Value £’000 2020/21	% of investment assets 2020/21
Investments managed by London CIV:				
BlackRock (Global & UK Equity Index)	422,086	21.8%	671,249	36.4%
LCIV/RBC (Global Active Equity)	316,647	16.3%	290,405	15.7%
LCIV/JP Morgan (Global Emerging Markets)	76,415	3.9%	-	0.0%
LCIV/Baillie Gifford (Global Multi Asset)	140,709	7.3%	-	0.0%
LCIV/Baillie Gifford (Global Equities)	211,844	10.9%	-	0.0%
LCIV/Churchill & Pemberton (Private Debt)	73,242	3.8%	-	0.0%
LCIV/BlackRock, Quinbrook,Stonepeak & Foresight (Infrastructure)	24,900	1.3%	-	0.0%
	1,265,843	**65.3%**	**961,654**	**52.1%**
Investments managed outside of London CIV:				
BMO (Fixed Interest)	254,430	13.1%	255,782	13.9%
Threadneedle (Property)	187,783	9.7%	155,736	8.4%
GMO (Global Real Return)	-	0.0%	104,421	5.7%
BlackRock (Ultra Short Bond Fund)	93,513	4.8%	88,974	4.8%
RBC (Global Emerging Market Equities)	-	0.0%	97,123	5.3%
Invesco (Global Multi Asset)	-	0.0%	66,629	3.6%
Churchill (Private Debt)	58,428	3.0%	54,041	2.9%
Permira (Private Debt)	70,930	3.7%	47,222	2.6%
Other investments (including MMFs & Derivatives)	6,986	0.4%	12,668	0.7%
	672,070	**34.7%**	**882,596**	**47.9%**
Total	**1,937,913**	**100%**	**1,844,250**	**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 31/03/2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2022
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	184,247	63,128	(48,323)	(12,007)	187,045
Index Linked Securities	53,706	-	(5,179)	2,424	50,951
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,593,600	815,507	(801,094)	84,888	1,692,901
Derivative Contracts					
Forward Currency Contracts	60	2,137	(2,270)	(54)	(127)
Futures	2	3,329	(3,104)	40	267
	1,831,765	**884,101**	**(859,970)**	**75,291**	**1,931,187**
Other Investment balances:					
Cash Deposits	10,606				4,880
Receivable for Sales	-				-
Investment Income due	1,879				1,846
Payable for Purchases	-				-
Net Investment Assets	**1,844,250**			**75,291**	**1,937,913**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, as the above movement includes indirect manager fees.

Investment type	Market Value 31/03/2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2021
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	169,466	146,238	(131,837)	380	184,247
Index Linked Securities	63,733	3,194	(15,199)	1,978	53,706
Equities	150	-	-	-	150
Pooled Investment Vehicles	1,235,875	119,019	(100,590)	339,296	1,593,600
Derivative Contracts					
Forward Currency Contracts	625	2,124	(3,634)	945	60
Futures	144	2,363	(3,398)	893	2
	1,469,993	**272,938**	**(254,658)**	**343,492**	**1,831,765**
Other Investment balances:					
Cash Deposits	12,328				10,606
Receivable for Sales	-				-
Investment Income due	2,160				1,879
Payable for Purchases	(4,362)				-
Net Investment Assets	**1,480,119**			**343,492**	**1,844,250**

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

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

d. Investments exceeding 5% of net assets

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

Security	Market Value 31 March 2022	% of total fund	Market Value 31 March 2021	% of total fund
	£'000		£'000	
LCIV 'RBC' Sustainable Equity Fund	316,647	16.1%	290,405	15.6%
BlackRock ACS World Low Carbon Equity Fund	241,530	12.3%	208,108	11.2%
LCIV Global Alpha Growth Paris-Aligned Fund	211,844	10.8%	-	0.0%
BlackRock Aquila Life UK Equity Fund	180,556	9.2%	310,330	16.7%
Threadneedle Property Fund (TPEN)	163,091	8.3%	130,750	7.0%
LCIV 'Baillie Gifford' Diversified Growth Fund	140,709	7.2%	-	0.0%
BlackRock Aquila Life MSCI World Equity Fund	-	0.0%	152,811	8.2%
GMO (Global Real Return)	-	0.0%	104,421	5.6%

e. Stock Lending

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

14. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

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

Forward currency contracts

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

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Fair Value £'000
Assets					
One to six months	GBP	3,086	USD	(4,047)	12
	GBP	3,087	USD	(4,047)	12
Total Assets					**24**
Liabilities					
One to six months	GBP	7,380	EUR	(8,813)	(76)
	GBP	7,379	EUR	(8,813)	(76)
Total Liabilities					**(151)**
Net Forward Contracts 2021/22					**(127)**

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

Futures

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

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

Investment Type	Expires	Economic Exposure	Market value 31-Mar-22	Economic Exposure	Market value 31-Mar-21
		£'000	**£'000**	**£'000**	**£'000**
Assets					
UK Bonds	Under one year	-	-	(8,293)	39
Overseas Bonds	Under one year	(13,972)	448	(55)	96
Total Assets			**448**		**135**
Liabilities					
UK Bonds	Under one year	(4,001)	(23)	(3,317)	(17)
Overseas Bonds	Under one year	434	(158)	17,603	(116)
Total Liabilities			**(181)**		**(133)**
Net Futures			**267**		**2**

15. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

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

Investment type	2021/2022 Designated as Fair Value through Profit & Loss	2021/2022 Financial Assets at amortised costs	2021/2022 Financial Liabilities at amortised costs	2020/2021 Designated as Fair Value through Profit & Loss	2020/2021 Financial Assets at amortised costs	2020/2021 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	187,045	-	-	184,247	-	-
Index Linked Securities	50,951	-	-	53,706	-	-
Equities	150	-	-	150	-	-
Pooled Investments	1,505,118	-	-	1,437,864	-	-
Pooled Property funds	187,783	-	-	155,736	-	-
Derivative Contracts	472	-	-	195	-	-
Cash	-	22,880	-	-	22,028	-
Other Investment Balances	4,968	-	-	4,994	-	-
Debtors	-	9,296	-	-	8,377	-
	1,936,487	32,176	-	1,836,892	30,405	-
Financial Liabilities						
Derivative Contracts	(332)	-	-	(133)	-	-
Other Investment Balances	(22)	-	-	(15)	-	-
Creditors	-	-	(3,797)	-	-	(3,173)
	(354)	-	(3,797)	(148)	-	(3,173)
Total	**1,936,133**	**32,176**	**(3,797)**	**1,836,744**	**30,405**	**(3,173)**
Grand Total		**1,964,512**			**1,863,976**	

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 2022	31 March 2021
	£'000	£'000
Fair Value through Profit and Loss	75,265	343,424
Financial Assets measured at amortised cost	26	68
Financial Liabilities measured at amortised cost	-	-
Total	**75,291**	**343,492**

The increase in market value of £75,291k is £11,113k less than the change in market value on the Fund Account of £86,404k, as the above movement includes indirect manager fees.

c. Fair Value of financial instruments and liabilities

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

	31 March 2022		31 March 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
Fair Value through Profit and Loss	1,936,487	1,936,487	1,836,892	1,836,892
Financial Assets measured at amortised cost	32,176	32,176	30,405	30,405
Total Financial Assets	**1,968,663**	**1,968,663**	**1,867,297**	**1,867,297**
Financial Liabilities				
Fair Value through Profit and Loss	(354)	(354)	(148)	(148)
Financial Liabilities measured at amortised cost	(3,797)	(3,797)	(3,173)	(3,173)
Total Financial Liabilities	**(4,151)**	**(4,151)**	**(3,321)**	**(3,321)**
Grand Total	**1,964,512**		**1,863,976**	

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation of Financial instruments carried at fair value

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

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

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

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

Basis of Valuation

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

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

Description of Asset	Level	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting Valuations
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Futures (Derivatives)	Level 1	Published exchange price at the year-end	Not required	Not required
Amounts receivable from investment sales	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed Interest Securities	Level 2	Market Value based on current yields		Not required
Index Linked Securities	Level 2	Market Value based on current yields		Not required
Pooled investments – Equity funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Ultra short bonds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Pooled investments – Diversified growth funds	Level 2	Published bid market price at end of the accounting period	NAV per share	Not required
Forward Foreign Exchange (Derivatives)	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – Property funds	Level 3	Closing single price at end of the accounting period. Threadneedle have provided additional disclosures around the valuations for these funds given the impact on the Coronavirus pandemic on property markets	NAV per share – valuation of the underlying property assets is based on CBRE methodology	Difficulties in applying standard valuation methodology (CBRE) as a result of the Coronavirus pandemic and resulting lack of property transactions
Pooled investments – Private debt funds	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements to the end of the accounting period	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets	Material events between the date of the financial statements provided and the pension fund's own reporting date; differences between audited and unaudited accounts
Pooled investments - Infrastructure fund	Level 3	Most recent valuations updated for cashflow transactions.	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 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial Assets			
Fair Value through Profit and Loss	5,416	1,515,638	415,433
Financial Assets measured at amortised cost	32,176	-	-
Total Financial Assets	**37,592**	**1,515,638**	**415,433**
Financial Liabilities			
Fair Value through Profit and Loss	(203)	(151)	-
Financial Liabilities measured at amortised cost	-	(3,797)	-
Total Financial Liabilities	**(203)**	**(3,948)**	**-**
Net Financial Assets	**37,389**	**1,511,690**	**415,433**

	Level 1	Level 2	Level 3	Total
Values at 31 March 2022	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through profit and loss				
Fixed Interest Securities	-	187,045	-	187,045
Index Linked Securities	-	50,951	-	50,951
Equities	-	-	150	150
Pooled Investment Vehicles	-	1,277,618	227,500	1,505,118
Pooled Property Funds	-	-	187,783	187,783
Derivative Contracts	448	24	-	472
Other Investment Balances	4,968	-	-	4,968
Total Financial Assets at FVTPL	**5,416**	**1,515,638**	**415,433**	**1,936,487**
Financial Liabilities				
Fair Value through profit and loss				
Derivative Contracts	(181)	(151)	-	(332)
Other Investment Balances	(22)	-	-	(22)
Total Financial Liabilities at FVTPL	**(203)**	**(151)**	**-**	**(354)**
Net Financial Assets at FVTPL	**5,213**	**1,515,487**	**415,433**	**1,936,133**

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

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

Reconciliation of Fair Value Measurement and Transfers Within Level 3

2021/22	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	101,263	-	-	131,659	(32,624)	2,302		202,600
Pooled Investments - Property Funds	155,736	-	-	-	-	-	32,047	187,783
Pooled Investments - Infrastructure	-	-	-	28,772	(3,872)	-	-	24,900
Total	**257,149**	**-**	**-**	**160,431**	**(36,496)**	**2,302**	**32,047**	**415,433**

During 2021/22 the Fund began to make capital investments toward its commitment in pooled renewable infrastructure.

The following assets have been carried at cost:

Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investment in London CIV Ltd			150
LCIV Private Debt Fund			73,242
LCIV Renewable Infrastructure Fund			24,900
Investments held at cost	**0**	**0**	**98,292**

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 2022 as the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

The LCIV Private Debt and LCIV Renewable Infrastructure Funds have been valued as Level 3 Investments which are initially recognised at cost and subsequently measured at fair value. There is a time lag on receiving valuations for these funds after each quarter of the year.

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

2020/21	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	52,415	-	-	52,411		(3,563)		101,263
Pooled Investments - Property Funds	153,689	-	-	-	-	2,047	-	155,736
Fixed Interest - O/S Private Sector	78	-	-	-	(78)	-	-	-
Total	**206,332**	**-**	**-**	**52,411**	**(78)**	**(1,516)**	**-**	**257,149**

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 2022 and 31 March 2021.

2021/22	Potential Variation in Fair Value	Value at 31 March 2021	Potential Value on Increase	Potential Value on Decrease
		£'000	£'000	£'000
Equity	+/- 19.9%	150	180	120
Private Debt	+/- 9.0%	202,600	220,834	184,366
Property	+/- 15.0%	187,783	215,950	159,616
Infrastructure	+/- 14.6%	24,900	28,535	21,265
Total		**415,433**	**465,499**	**365,367**

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

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

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

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

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

a) Market Risk

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

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

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

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

Other Price Risk

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

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

Other Price Risk – Sensitivity Analysis

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

Asset class	1 year expected volatility (%)	% of Fund
Infrastructure Equity	14.6	1.3
UK Equities	19.9	0.0
Global Equities (ex UK)	20.1	49.3
Emerging Market Equities	27.0	4.0
Property	15.0	9.7
Corporate Bonds (short term)	3.5	3.9
Corporate Bonds (medium term)	8.1	2.0
Corporate Bonds (long term)	9.9	1.0
UK Fixed Gilts (short term)	2.1	0.8
UK Fixed Gilts (medium term)	6.8	1.9
UK Fixed Gilts (long term)	9.2	2.1
UK Index Linked Gilts (medium term)	7.3	0.3
UK Index Linked Gilts (long term)	9.2	2.3
Cash	0.3	3.8
Diversified Growth Fund	9.1	7.3
Senior Loans	9.0	10.3
Total fund volatility	**12.1**	**100.0**

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

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using the Economic Scenario Service, a proprietary stochastic asset model maintained by Hymans Robertson LLP. The model uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. The overall fund volatility has been calculated based on the asset valuations provided by the Fund's custodian, HSBC, and market values (bid) provided by the Administering Authority, as at 31 March 2022. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities.

31 March 2022		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,937,913	12.1	2,172,400	1,703,426
	1,937,913	**12.1**	**2,172,400**	**1,703,426**

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

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

Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movement as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Balance at 31 March 2022 £'000	Balance at 31 March 2021 £'000
Cash Deposits	4,880	10,606
Cash Balances	21,099	14,522
Fixed Interest Securities	296,992	291,051
Total	**322,971**	**316,179**

Interest Rate Risk – Sensitivity Analysis

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 consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

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

Asset Type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits +100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	4,880	49	(49)
Cash Balances	21,099	211	(211)
Fixed Interest Securities*	296,992	(26,432)	26,432
Total	**322,971**	**(26,172)**	**26,172**

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

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

Currency Risk

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

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

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2022 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2022	Asset Value as at 31 March 2021
	£'000	£'000
Equities	-	-
Fixed Interest Securities	22,215	20,560
Indexed Linked Securities	-	-
Pooled Investment Vehicle	58,428	54,041
Cash and Deposits	543	573
Total	**81,185**	**75,174**

Currency Rate Risk – Sensitivity Analysis

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

31 March 2022		Potential Change v GBP	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Currency Exposure	81,185	9.5	88,898	73,472
Total change in assets			**7,713**	**(7,713)**

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

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

b) Credit Risk

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

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

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

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

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

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

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

Summary	Rating (Fitch)	Balance at 31 March 2022	Balance at 31 March 2021
		£'000	£'000
Cash (Current Assets)			
Lloyds Bank Plc	A+	21,099	14,522
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	3,100	3,100
Cash held by fund managers and custodian			
Cash	AA-	1,780	7,506
Call Accounts (Various)	AA- to A	-	-
Total		**25,979**	**25,128**

c) Liquidity Risk

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

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund's key exposure to illiquid assets is via its private debt mandate, currently valued at £202,600K and its infrastructure mandate currently valued at £24,900K. Whilst the Fund has no direct property exposure, it is invested in a single-priced, open-ended property fund. Whilst the Fund itself offers daily liquidity, the illiquid nature of the underlying assets exposes the Fund to a degree of liquidity risk

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

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

18. FUNDING ARRANGEMENTS

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

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

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

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

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

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The whole fund primary contribution rates applying from 1 April 2020 until 31 March 2023 and based on the 2019 valuation report are as follows:

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

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

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

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

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

Financial Assumptions based on 2019 Valuation Report

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

*plus an allowance for promotional pay increases.

Mortality Assumptions

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

Mortality assumptions at age 65	Male	Female
Current pensioners	21.1 years	23.6 years
Future pensioners (assumed current age 45)	22.5 years	25.6 years

Commutation Assumption

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

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

The actuarial present value of promised retirement benefits at the accounting date 31st March 2022, calculated in line with IAS 19 assumptions, is estimated to be £2,656 million (£2,742 million in 2020/21).

Present Value of Promised Retirement Benefits	31 March 2022	31 March 2021
	£m	£m
Active members	1,049	1,018
Deferred members	779	835
Pensioners	828	889
Total	**2,656**	**2,742**

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

The financial assumptions used for the IAS19 2022 valuation have been revised from the 2019 valuation report as set out in the table below:

Assumption	2022	2021
Pension increase rate assumption	3.20%	2.75%
Salary increase rate	3.50%	3.05%
Discount rate	2.7%	1.95%

20. CURRENT ASSETS

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

	31 March 2022 £'000	31 March 2021 £'000
Short-Term Debtors:		
Contributions due	7,222	6,272
Sundry debtors	1,767	1,792
Cash Balances	21,099	14,522
VAT	82	155
Total	**30,170**	**22,741**

20a. 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 2022 £'000	31 March 2021 £'000
Long-Term Debtors:		
Reimbursement of LTA / AA	226	158
Total	**226**	**158**

21. CURRENT LIABILITIES

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

Creditors	31 March 2022 £'000	31 March 2021 £'000
Short-Term Creditors:		
Benefits Payable	(1,670)	(1,031)
Sundry Creditors	(2,127)	(2,142)
Total	**(3,797)**	**(3,173)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

The total value of sums invested in the AVC funds as at 31 March 2022 was £5.030 million (£5.037million as at 31 March 2021). Contributions received into the AVC facility during the year amounted to £0.197 million (£0.203 million in 2020/21). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

23. RELATED PARTY TRANSACTIONS

London Borough of Hackney

The Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £58.46 million to the Fund in 2021/22 (2020/21: £59.34 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.42 million in 2021/22 (£0.36 million in 2020/21) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury Management Strategy.

London Collective Investment Vehicle

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

The Fund incurred costs of £110k in 2021/22 (£110k in 2020/21) in relation to charges from the London CIV Ltd (the operating company).

The Fund incurred costs of £151k in 2021/22 (£32k in 2020/21) in relation to the custody and management of investments held and managed within the London CIV regional asset pool.

Governance

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

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

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

24. KEY MANAGEMENT PERSONNEL

Several employees of the London Borough of Hackney hold key positions in the financial management of the Fund. As at 31 March 2022 these employees included:

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

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

	31 March 2022 £'000	31 March 2021 £'000
Short term benefits	238	192
Long term/post-retirement benefits	44	36
Total	**282**	**228**

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

25. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2022 were £203,586k (31 March 2021: £327,153k). 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 2022	31 March 2021
	£'000	£'000
Pooled Private Debt Funds	138,486	237,153
Pooled Renewables Infrastructure Fund	65,100	90,000
Total	**203,586**	**327,153**

26. IMPAIRMENT LOSSES

During 2021/22 there were £0k impairment losses to recognise (2020/21: £0k) for non-recovery of pension overpayments. Investment-related losses related to the Covid-19 pandemic and the impact of the Ukraine-Russia conflict are accounted for through the change in market value of investments.

Investment Strategy Statement

1 Introduction

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

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

The ISS, which was approved by the Committee on 23 November 2021 is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local 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) (Amendment) Regulations 2016 require pension fund administering authorities to formulate an Investment Strategy Statement, in accordance with guidance issued by the Secretary of State.

The Statement must include:

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

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

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

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

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

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

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

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

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

4 Investment of money in a wide variety of investments

4.1 Asset Classes

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

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

4.2 . Fund Allocation

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 2007.

The Fund has committed to invest 20% of assets in private lending and 5% in renewable infrastructure, to be funded by a reduction in the equity and DGF holdings. These investments are expected to take a number of years to be fully invested.

Table 4.2.1 reflects the target position once fully invested.

4.2.1 Target Fund Allocation

Asset Class	Target Allocation %
Global Equities	36%
Global Emerging Market Equities	4.5%
Total Equities	**40.5%**
Property	10%
Multi-Asset	7.5%
Private Debt	20%
Infrastructure	5%
Bonds	17%
Total	**100%**

4.3 Managers

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

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

5 Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed 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
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	20%
5. Total investment in illiquid assets	30%

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

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

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

6.1 Funding Risks

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

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be formally revisited as part of the 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. Following the last investment strategy review, the Committee agreed to implement a strategic hedging target of 30% of the Fund's overseas equity and 100% of overseas private debt exposure. At the time of writing, the Committee was in the process of appointing a Manager to implement the currency hedge.

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.

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

The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

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 34.9% (£655.8m) of assets invested through mandates directly facilitated by the Pool. However, significant further assets are committed to the London CIV and once this is implemented the Fund will have 73% of its assets pooled.

The Fund currently holds 23.8% (£447.0m) 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 15.3% (£288.3m) 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	1.3% (£25.3m)	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	7.7% (£144.8m)	IPD Quarterly index total return Targets outperformance of the benchmark by 1% over rolling 3 year periods.	Investment is via a unit linked life vehicle which cannot be transferred to the ACS structure. No suitable alternative currently exists through the London CIV,and the Fund wishes to maintain its strategic allocation to property.
Fixed Income	BMO	14.3% (£268.5m)	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	3.4% (£63.0m)	Target net return 6% - 8%	Illiquid assets – assets held via a Lux Special Partnership and early exit would have a negative financial impact.
Private Debt	Churchill	2.9% (£55.2m)	US Credit Suisse Leveraged Loan Index. Target net return 5.5% - 7%	Illiquid assets – assets held via a Lux Special Partnership and early exit would have a negative financial impact.
Multi-asset	Invesco	3.79% (£67.3m)	Targets LIBOR 3m + 5%	Held for the short-term and will be used to fund commitments made to illiquid investments with the London CIV.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2023.

7.2 Structure and governance of the London CIV

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

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

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

Approval for the structure has been signed off by the 32 participating London Authorities.

The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors.

This is achieved through:

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

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

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

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

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

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

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

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In summer 2016, Trucost was commissioned to produce a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie. Further analysis was carried out in 2019.

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

- Reduce the Fund's relative exposure to future emissions from fossil fuel reserves (measured in MtCO2e – million tonnes of CO2 emissions) by 50% over 2 valuation cycles (6 years)
- Measure the reduction relative to the Fund's position as at July 2016 (7.11MtCO2e) and adjusted for Assets Under Management (£AUM)

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

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

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

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to 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 Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis. A copy of the Fund’s statement of compliance with the Stewardship code can be found on the Fund’s website. At the FRC’s most recent review, both the Fund and the London CIV were rated as Tier 1.

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

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

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

London Borough of Hackney Pension Fund

Funding Strategy Statement

1 Introduction

1.1 What is this document?

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

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 31st March 2020.

1.2 What is the LBH Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

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

1.5 What does the FSS aim to do?

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;

- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

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

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

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

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

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

2 Basic Funding Issues

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

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

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

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

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

2.2 What is each employer's contribution rate?

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

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

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

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

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

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

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

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

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

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

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

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

2.5 How is a deficit (or surplus) calculated?

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

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

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

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

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

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

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

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

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

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

- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.9 When will the next actuarial valuation be?

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

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

3 Calculating contributions for individual Employers

3.1 General comments

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

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

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

3.3 The different approaches used for different employers

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

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

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

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

Note (c) (Maximum time horizon)

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

Note (d) (Secondary rate)

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

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

Note (e) (Likelihood of achieving funding target)

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

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

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

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

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

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

Note (h) (New Admission Bodies)

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

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

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

iii) Fixed contribution rate agreed

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

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

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

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

Note (j) (Admission Bodies Exiting the Fund)

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

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

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

Payment of cessation debt

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

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

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

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

Consideration of surplus / exit credit

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

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

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

Consideration of surplus / exit credit - Admission bodies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consideration of surplus / exit credit - General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note (k) (Phasing in of contribution changes)

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

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

3.4 Pooled contributions

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

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

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

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

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

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

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

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

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

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non ill health early retirement costs

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

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

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

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

3.7 Ill health early retirement costs

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

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

3.8 External Ill health insurance

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

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

- there is no need for monitoring of allowances.

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

3.9 Employers with no remaining active members

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

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

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

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A - Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

> *to establish a* ***clear and transparent fund-specific strategy*** *which will identify how employers' pension liabilities are best met going forward;*
>
> *to support the regulatory framework to maintain* ***as nearly constant employer contribution rates as possible****; and*
>
> *to take a* ***prudent longer-term view*** *of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in March 2020 for comment;

b) Comments were requested within 30 days;

c) There was an Employers Forum in Marh 2020 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at https://hackneypension.co.uk/documents-library/pension-fund-investment;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee/pensioner representatives;
- A summary issued to all Fund members;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at:
https://hackneypension.co.uk/documents-library/pension-fund-investment;

Appendix B Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	**Summary of Control Mechanisms**
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager underperformance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.

Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	Monitoring and management of exposure to fossil fuel reserves to assess level of risk alongside the inclusion of a policy statement setting out the Fund's approach to climate risk within the ISS. Active engagement with managers to understand sources of RI risk

C3 Demographic risks

Risk	**Summary of Control Mechanisms**
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.

Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	**Summary of Control Mechanisms**
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.

Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.

	Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1. A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
2. A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the ‘analysis of surplus’ approach to apportion the Fund’s assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson’s proprietary “HEAT” system to track employer assets on a monthly basis. Starting with each employer’s assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund’s assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer’s asset share to the receiving employer’s asset share. This sum is equal to the member’s Cash Equivalent Transfer Value (CETV) as advised by the Fund’s administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

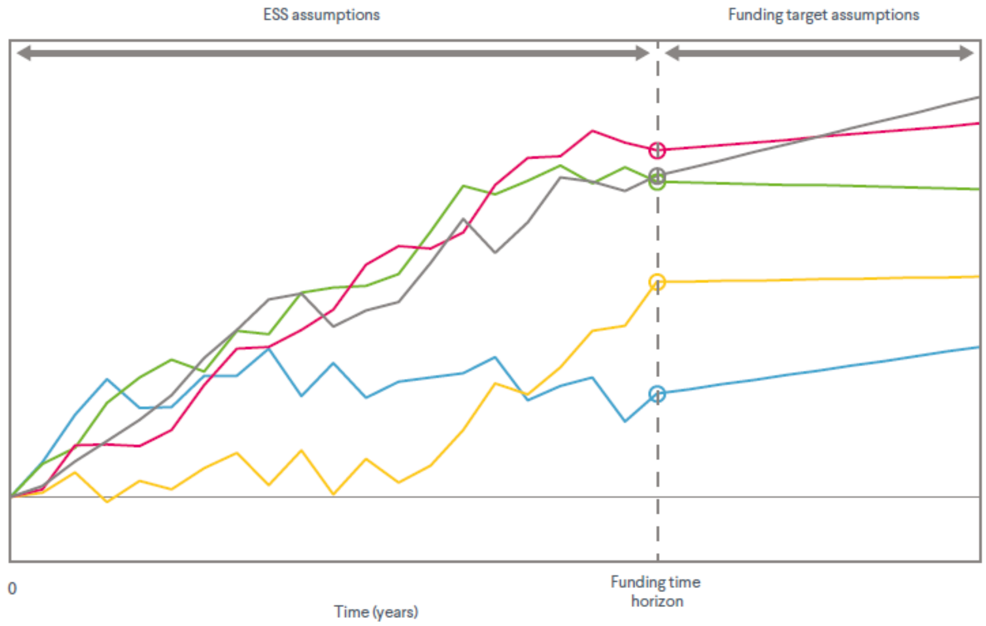
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

1. Benefit increases and CARE revaluation
2. Salary growth
3. Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.65% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What assumptions are used in the funding targetWhat other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2022, followed by
2. 0.5% below the retail prices index (RPI) p.a. thereafter.

This gives a single “blended” assumption of CPI plus 0.3%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 1.1% per annum. The change has led to a reduction in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.
The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more detail (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.

Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates.** See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the Primary and Secondary contribution rates, and other Statutory information for a Fund, and usually individual employers too.

Appendix G - Employer flexibilities policy statement

The below sets out the general guidelines that the London Borough of Hackney Pension Fund ("the Fund") will follow when exercising its discretion whether to:

1. Amend the contribution rate payable by an employer between formal funding valuations in line with regulation 64A of the Local Government Pension Scheme Regulations 2013 ("the Regulations");
2. Enter into a deferred debt agreement ("DDA") with an exiting employer in line with regulation 64(7) of the Regulations;
3. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if these guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

1. Contribution review

It is anticipated that contribution rates certified at the formal actuarial valuation will remain payable by employers for the period of the rates and adjustments certificate. However, under the Regulations the Fund may amend contribution rates between valuations resulting from "significant change" to the liabilities or covenant of an employer. This may result in a material increase or decrease in contributions, depending on the circumstances.

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

- In the opinion of the Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- An employer is approaching exit from the scheme within the next two years and before completion of the next valuation;
- There are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulations at that time) which have not been allowed for at the last valuation;
- It appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- It appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- It appears to the Administering Authority that the membership of the employer has changed materially from events such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- Where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values alone as a basis for reviewing contributions outside a formal valuation. However, if a review is being conducted, this may take account of market and asset changes which have occurred since the last formal valuation.

The Rates & Adjustments Certificate will be updated as necessary, following such a review.

The Administering Authority will also consider guidance in such matters from the Scheme Advisory Board as issued from time to time.

2. Deferred debt agreement ("DDA")

In the event that an Admission Body ceases participation in the Fund and a deficit is identified, payment of this amount as a single lump sum will be sought from the Admission Body by default.

However, in line with the Regulations and in the best interests of all parties, the Administering Authority may agree to enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a DDA as described in Regulation 64 (7A)). Such an agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the Admission Body's normal operations.

The Admission Body must continue to meet all active employer requirements and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the DDA.

The Administering Authority will consider DDAs in the following circumstances:

- The Admission Body requests the Fund consider a DDA;
- The Admission Body is expected to have a deficit if a cessation valuation was carried out;
- The Admission Body is expected to be a going concern; and
- The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- Security be put in place covering the Admission Body's deficit on their cessation basis, as varying over time;
- Regular monitoring of the contribution requirements and security requirements;
- All costs of the arrangement are met by the Admission Body, such as the cost of actuarial and legal advice to the Fund, ongoing monitoring of the arrangement, and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The Admission Body enrols new active Fund members;
- The period specified, or as varied, under the DDA elapses;
- The take-over amalgamation, insolvency, winding up or liquidation of the Admission Body, unless the Administering Authority is satisfied that this does not weaken the Employer's ability to pay contributions under the DDA;
- The Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the DDA has materially or is likely to weaken materially in the next 12 months;
- The Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
- The Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed de minimis level, if the employer becomes an exiting employer on the calculation date; or
- The Admission Body requests early termination of the DDA and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

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

Annex A – Rates and Adjustment Certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023 in order to maintain the solvency of the Fund..

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund Primary and Secondary Contribution rates for the period 1 April 2020 to 31 March 2023. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Whole Fund Contribution Rate		
Primary Rate (% of pay)	18.7%	
Secondary Rate (£)	2020/21 2021/22 2022/23	23,543,000 21,348,000 21,900,000

The required minimum contribution rates are set out below.

Employer / Pool code	Employer/Pool name	Contributions currently in payment 2019/2020	Primary Rate % 1 April 2020 - 2023	Secondary Rate						Total Contribution Rate		
				2020/2021		2021/2022		2022/2023		2020/2021	2021/2022	2022/2023
				% of pay	£	% of pay	£	% of pay	£			
	London Borough of Hackney	33.0%	18.5%	13.0%		11.5%		11.5%		31.5%	30.0%	30.0%
351	Renaisi	18.8% plus £36,000	29.6%		£118,000		£118,000		£118,000	29.6% plus £118,000	29.6% plus £118,000	29.6% plus £118,000
360	Brooke House Sixth Form College	23.4%	27.1%	2.3%		2.3%		2.3%		29.4%	29.4%	29.4%
367	Mossbourne Community Academy	16.3%	21.9%	-3.0%		-3.0%		-3.0%		18.9%	18.9%	18.9%
368	Greenwich Leisure Ltd	28.4%	21.0%	0.0%		0.0%		0.0%		21.0%	21.0%	21.0%
373	Petchey Academy	15.3%	21.8%	-0.9%		-0.9%		-0.9%		20.9%	20.9%	20.9%
374	Bridge Academy	16.3%	21.3%	-1.3%		-1.3%		-1.3%		20.0%	20.0%	20.0%
375	City Academy	15.5%	20.2%	-4.5%		-4.5%		-4.5%		15.7%	15.7%	15.7%
377	RM Education PLC	24.8%	27.6%	0.0%		0.0%		0.0%		27.6%	27.6%	27.6%
378	Servest Group Ltd	22.3%	34.5%	0.0%		0.0%		0.0%		34.5%	34.5%	34.5%
379	Skinners Academy	21.3%	21.7%	-1.9%		-1.9%		-1.9%		19.8%	19.8%	19.8%
380	Clapton Girls Academy	29.0%	21.0%	-2.7%		-2.7%		-2.7%		18.3%	18.3%	18.3%
382	Peabody Trust	0.0%	23.9%	0.0%		0.0%		0.0%		23.9%	23.9%	23.9%
383	Caterlink	26.0%	21.9%	-21.9%		-21.9%		-21.9%		0.0%	0.0%	0.0%
416	Mossbourne Victoria Park Academy	17.8%	21.3%	-2.3%		-2.3%		-2.3%		19.0%	19.0%	19.0%
422	Manor House Development Trust	20.5%	23.7%	0.0%		0.0%		0.0%		23.7%	23.7%	23.7%
423	SND Cleaning Services Ltd - Holmleigh	19.9%	25.5%	0.0%		0.0%		0.0%		25.5%	25.5%	25.5%
424	Northwold Academy	33.0%	22.5%	9.0%		7.5%		7.5%		31.5%	30.0%	30.0%
426	Birkin Cleaning (Jubilee and Gayhurst Schools)	18.9%	30.9%	-30.9%		-30.9%		-30.9%		0.0%	0.0%	0.0%
429	Mossbourne Parkside	24.5%	22.9%	-5.1%		-5.1%		-5.1%		17.8%	17.8%	17.8%
430	Mossbourne Riverside	20.2%	19.4%	-1.9%		-1.9%		-1.9%		17.5%	17.5%	17.5%
431	PJ Naylor Cleaning Services - Daubeney	28.9%	29.8%	-26.4%		-26.4%		-26.4%		3.4%	3.4%	3.4%
433	Mulalley	26.0%	24.7%	-24.7%		-24.7%		-24.7%		0.0%	0.0%	0.0%
435	Fit for Sport Gayhurst	24.0%	19.0%	-19.0%		-19.0%		-19.0%		0.0%	0.0%	0.0%
436	SND Cleaning - Our Lady and St Joseph School	0.0%	22.6%	0.0%		0.0%		0.0%		22.6%	22.6%	22.6%
437	SND Cleaning - Shoreditch Park School	29.9%	31.8%	-31.5%		-31.5%		-31.5%		0.3%	0.3%	0.3%
438	PJ Naylor Baden Powell	21.4%	19.8%	0.0%		0.0%		0.0%		19.8%	19.8%	19.8%
442	Boxing Academy	17.0%	17.1%	-1.7%		-1.7%		-1.7%		15.4%	15.4%	15.4%
445	City of London Academy Shoreditch Park	18.5%	20.1%	-0.6%		-0.6%		-0.6%		19.5%	19.5%	19.5%
446	Westgate Cleaning Services (Simon Mark School)	37.2%	34.0%	0.0%		0.0%		0.0%		34.0%	34.0%	34.0%
447	Lubavitch Foundation	32.1%	18.6%	0.0%		0.0%		0.0%		18.6%	18.6%	18.6%
449	CIS Security	34.3%	28.6%	0.0%		0.0%		0.0%		28.6%	28.6%	28.6%
450	PJ Naylor Cleaning Services (Grasmere School)	24.2%	20.7%	0.0%		0.0%		0.0%		20.7%	20.7%	20.7%
	Lubavitch Multi Academy Trust	25.9%	21.7%	0.5%		0.5%		0.5%		22.2%	22.2%	22.2%
	Community Schools Trust	17.9%	22.8%	-4.3%		-4.3%		-4.3%		18.5%	18.5%	18.5%
	Eko Trust	17.9%	20.7%	-2.1%		-2.1%		-2.1%		18.6%	18.6%	18.6%

Notes

Contributions expressed as a percentage of payroll should be paid into London Borough of Hackney Pension Fund ("the Fund") at a frequency in accordance with the requirements of the Regulations;

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.

Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions. If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their certified contribution rate may be reduced by the value of their insurance premium, for the period the insurance is in place.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

There has been significant volatility in the financial markets during February and March 2020 as a result of the COVID-19 pandemic. This volatility may impact funding balance sheets for those employers planning to exit the Fund during the period covered by this Rates and Adjustments Certificate. In order to effectively manage employer exits from the Fund, the Administering Authority reserves the right to revisit the contribution rates for employers that are expected to cease participation in the Fund before 31 March 2023. An employer will be contacted by the Administering Authority in this instance.

London Borough of Hackney Pension Fund Governance Policy and Compliance Statement

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.

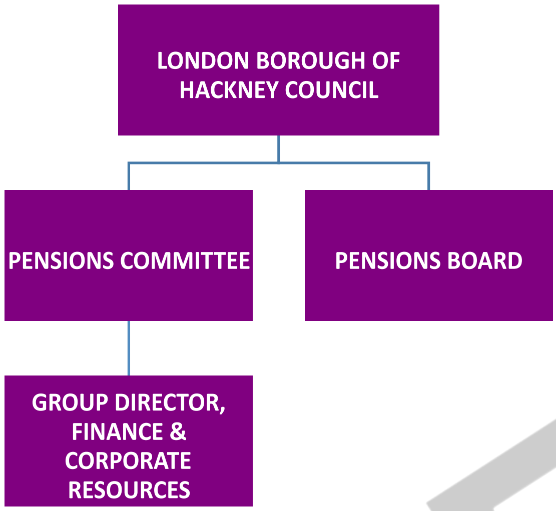
The Pensions Team carries out the day to day running of the Fund including administration, investments and accounting. Some of this is contracted out to external suppliers or providers including:

- 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. 5 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 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 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 comment 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.
	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.		
To determine all matters relating to admission body issues.	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 - 08503713 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 SAubject 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 was 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 Funds 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 improve members experience when contacting/interacting with the Fund and the administrators. Enhancements and efficiencies to the service will be reported to 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: 03713 842 369

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

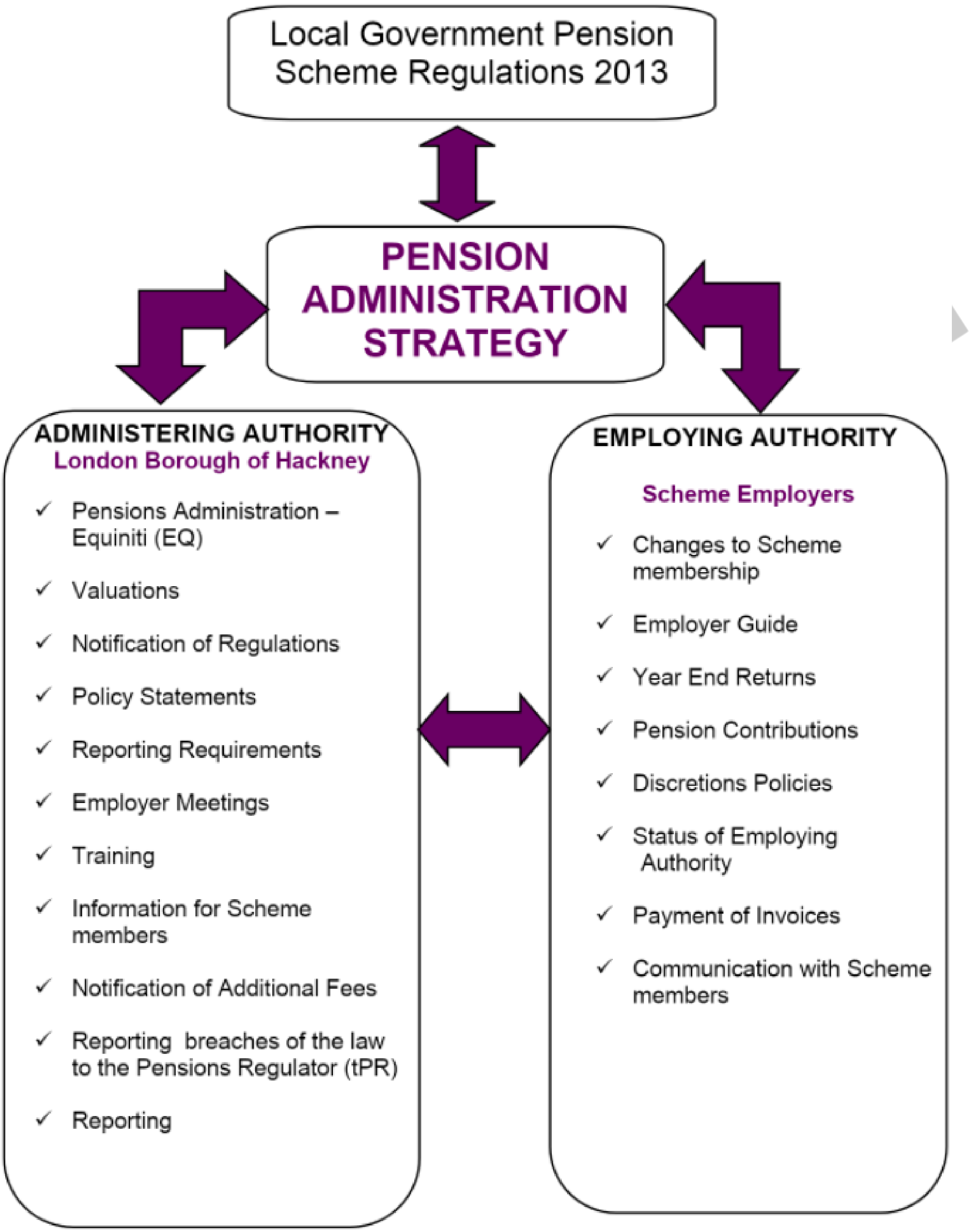
Review of the Communications Strategy Statement

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.

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.

Effective and efficient administration of the pension fund is beneficial to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

Setting out the expectations of the Administering Authority and Employing Authorities will help to ensure that both parties are aware of their roles and responsibilities in relation to the administration of the pension scheme. Both employer and administrator are dependent on the other for effectual communication and accurate flows of information without which the pension scheme cannot be administered effectively. The scheme members are reliant on both the employer and the administrator to ensure that their pension records are accurate and that they are well informed.

The Pension Administration Strategy is not meant to supersede existing procedures or policies but to complement them. The Admission Agreement sets out some basic requirements of both the Administering Authority and the employer and the Employer Guide sets out in detail how to carry out day to day administration of the Pension Fund within the employer's site.

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

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided.

Implementation

The Administration Strategy is effective from 1 April 2020.

Regulatory basis

The Scheme is a statutory scheme, established by an Act of Parliament. The following regulations governing the Scheme are shown below:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2013 (as amended)

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

ADMINISTRATION IN THE LONDON BOROUGH OF HACKNEY

Responsibility

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pension Committee. The Pension Committee will monitor the implementation of this Administration Strategy on an annual basis.

In addition, the Pensions Board will assist and advise the Administering Authority in ensuring compliance with the Regulations and will receive reports on the Administration Strategy and its effectiveness.

Objective

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. Operationally the administration of the Fund is partly outsourced to Equiniti and partly carried out by staff of the Administering Authority.

The Administering Authority and Equiniti staff work together to provide a seamless service to scheme employers and scheme members.

Communications

The Fund has published a Communication Strategy Statement, which describes the way the Fund communicates with:-

- scheme members
- members representatives
- prospective members
- scheme employers
- other stakeholders/interested parties

The latest version of the Communication Strategy Statement can be obtained from the Fund website:- www.hackneypension.co.uk

The table below summarises the current methods the Fund uses to communicate:

Method of Communication	Communication material
Website www.hackneypension.co.uk	Information about the Fund, the LGPS, administrative procedures, policies and forms for use
Newsletters	Annual newsletter and additional newsletters issued as may be necessary to highlight new issues and forthcoming events
Employer meetings	Held annually to provide Employers with a forum to address the Fund's staff and advisers
Pensions helplines:- Equiniti Administering Authority (LB Hackney) Pension Team	01293 604 055 020 8356 2521
E-mail addresses: For the Equiniti team: Hackney.pensions@equiniti.com For the Administering Authority team: pensions@hackney.gov.uk	To answer day to day questions about administering the Scheme
Individual Employer meetings	Offered to Employers who need advice about how to carry out the day to day administration of the Scheme
Annual Benefit Statements	Sent to active and deferred scheme members
Individual Scheme member meetings	1-2-1 meetings available with a member of the Pensions team as required
Pension Presentations	Presentations to staff, managers, new employees, etc. on pension related matters

Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments by sending emails and newsletters, and by providing free training, forums and workshops for Employers when new Regulations are implemented or are under consideration. Additionally free training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of this approach are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- To provide ongoing training on relevant employer responsibilities
- To support the implementation of new technology within the Fund to enable self-service for the Employer and streamlined administration

To achieve this, the Fund will:-

- Work with Employers' Human Resources, Payroll and other staff to help develop relevant skills and knowledge by providing appropriate assistance, guidance and training
- Organise free workshops and forums for Employers to debate new issues as they emerge

This strategy will ensure that Employers have a common understanding of their obligations under the Local Government Pension Scheme, and that administrative processes are designed to maximise efficiency and effectively manage risk.

The Fund will provide free training for Employers' relevant staff, to build up and maintain a level of professional expertise which will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

PERFORMANCE STANDARDS

The Scheme prescribes that certain decisions be taken by either the Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has agreed levels of performance between itself and scheme employers which are set out below:

Overriding legislation

Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 & 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003/GDRP legislation effective from 25 May 2018
- Finance Act 2013
- Relevant Health and Safety legislation
- Any other legislation that may apply at the current time

Internal quality standards

The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide
- all information required by the Fund to be provided in the required format and/or on the appropriate forms referred to in the Employers' Guide which are accessible from the Fund website at www.hackneypension.co.uk
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions are carried out, or information provided, within the timescales set out in this Administration Strategy.

Timeliness

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme. The Scheme itself sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

FUND RESPONSIBILITIES

The London Borough of Hackney is the Administering Authority of the London Borough of Hackney Pension Fund and has delegated powers to the Pensions Committee to oversee the management of the Pension Fund. The role of the Administering Authority is to administer the Pension Fund and act as a quasi-trustee body for the management of the Pension Fund.

The Pensions Board comprising equal numbers of employer and scheme member representatives will assist the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund and will therefore review the effectiveness of the Fund's Pension Administration Strategy on an annual basis.

This section outlines the key responsibilities of the Fund and the performance standards scheme employers and scheme members should expect. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities. It includes the performance standards that the Administering Authority has agreed with the pension administrators, Equiniti (EQ).

Administering Authority

Fund Administration

This section details the functions which relate to the **whole Fund**, rather than individual scheme members' benefits.

Task/Function	Standard
Pension Administration Strategy - PAS	Consult with employers following any significant revisions to the Administration Strategy Publish agreed Strategy within 2 months of being agreed by the Pensions Committee
Member Scheme Guide to the LGPS **Employers' Guide to the LGPS**	Update & publish within 30 working days from any significant revision.
Pension forms	Update & publish within 30 working days from any significant revision.
Scheme Employers' meeting	Annually

Task/Function	Standard
Training sessions for scheme employers.	Upon request from scheme employers, or as required.
Changes to the scheme rules.	Notify employers within 2 months of the change(s) coming into effect.
Employer's unsatisfactory performance.	As soon as a performance issue becomes apparent.
Recovery of additional administration costs - associated with the scheme employer's unsatisfactory performance (including any interest that may be due).	Within 30 working days of scheme employer's failure to improve performance, as agreed.
Annual Benefit Statements to active and deferred members	To be issued no later than 5 months after the end of the Scheme year to which it relates.
Valuation results (including individual employer details).	10 working days from receipt of results from the Fund's actuary (but in any event no later than 31 March following the valuation date).
Cessation valuation exercises – on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
Arrange for calculation of FRS102 (valuations for employers as required)	Issue results within 10 working days from receipt from the Fund's actuary
Admission Agreements for new scheme employers, where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of employer entry to the scheme

Task/Function	Standard
Governance Policy and Compliance Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee.
Funding Strategy Statement – FSS reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Revised statement to be published at the same time as the final valuation report is issued.
Pension Fund Annual Report and Accounts – PF R&A (and any report from the auditor)	By 30 September following the year end or following the issue of the auditor's opinion
Communications Strategy Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee
Statement of Investment Principles - **SIP**	Publish within 30 working days of policy being agreed by the Pensions Committee
Administering Authority Discretions Policies	Publish within 30 working days of policy being agreed by the Pensions Committee
Statutory auto-enrolment communications Agree with integrated bodies (e.g. maintained & VA schools) the arrangements for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti

The Fund's third party administrators, Equiniti (EQ), assist with the overall administration of the scheme and to ensure the smooth operation of the administrative function.

Equiniti can be contacted via their helpline number - 01293 604 055

or by email: – hackney.employers@equiniti.com

As a Fund, there are certain administrative functions that, under the LGPS Regulations, are legal requirements and must be processed within set timeframes. If scheme employers do not provide the requested data correctly, in the right format and within the timescales requested by the administrators, the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by the Pension Regulator (tPR).

The administrators, and the Fund, are therefore reliant on employers providing the data in order to correctly administer the scheme and fulfil its legal duties as listed below:

Process	Legal Requirement
To process new member information e.g. creating a pension account record	Provide information about the scheme within: • 2 months from date of joining where scheme member information has been received or • 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.
To provide transfer value information	3 months from date of request
To inform members who leave the scheme of their deferred benefit entitlement	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) of the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active and deferred members	31st August in the same calendar year

Service Standards Agreement - SLAs

In order to meet the legal requirements of the LGPS, the Fund as implemented a number of operational Service Standards in relation to the administration services provided by Equiniti: -

- All Service Standards are quoted in working days unless otherwise indicated.

Note – these Service Standards are only achievable with the cooperation of all scheme employers and by providing the correct data & information when requested:

Category	Process	Service Standard
Retirements	Overall case target to later of payment of lump sum and notification of final benefits	95% within 20 days from date of retirement
	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 3 days
	First pension payment	98% within 40 days
Death of a Member	Issue letter requesting any information required to verify entitlement to benefits	95% within 1 day
	Notification of benefits due and payment of lump sum death benefit (both to be completed in timescale)	95% within 3 days
	First survivor pension payment(s)	98% within 40 days
New Joiners main scheme & 50/50 scheme	New Joiner - apply for any transfer value details from a previous fund or scheme	95% within 5 days
	New joiner - Issue a notice to member confirming details relating to their admittance.	95% within 5 days
	50/50 scheme - Notify member when 50/50 membership commences or ceases	95% within 10 days

Estimates or Quotes	Estimates or quotations of benefits	95% within 10 days
Transfer In	LGPS and non-LGPS – Request details from previous pension arrangements	95% within 5 days
	LGPS and non-LGPS – Calculate and provide quotation service credit to member	95% within 10 days
	LGPS and non-LGPS – Request payment of transfer	95% within 5 days
	LGPS and non-LGPS – Notify the member of the benefits awarded	95% within 10 days
Transfer Out	LGPS and non-LGPS – Provide transfer value details/information pack to new provider and/or scheme member as appropriate	95% within 10 days
	LGPS and non-LGPS – Pay transfer value	95% within 10 days
	LGPS and non-LGPS – Notify pension provider that payment has been made	95% within 5 days of transfer value is paid
Pension Sharing Orders	Carry out calculation and provide information to scheme member/solicitor	95% within 5 days
	Calculate and notify final pension debit	95% within 5 days
	Calculate and notify final pension credit	95% within 5 days
Retirements	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days
	First pension payment	98% within 40 days
Leavers	Write to scheme member with options	95% within 10 days

Leaver Refunds	Calculate and pay refund of contributions	95% within 10 days
	Write to scheme member in advance of payment due date	95% 2 months in advance
Additional Contributions & Benefits	Providing information to members regarding paying or changing additional contributions (including AVCs) on request	95% within 10 days
	Absence Contributions – providing information to members on return from absence	95% within 10 days
	Action a request to pay additional contributions (including AVCs)	95% within 10 days
Annual Benefit Statements	Provide annual benefit statements to active and deferred members	31st August in the same calendar year

SCHEME EMPLOYER RESPONSIBILITIES

This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.

External Payroll or Administration Providers

Scheme employers must ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, the legal responsibility for the provision of pension data to the Administering Authority or the third party pension administrator, lies with the Scheme employer and not the third party. **Third party provision of these services includes companies such as: HLT (Hackney Learning Trust), Capita, EPM, Strictly Education etc.**

Any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme must be made aware of the standards that are to be met.

Scheme employers must therefore ensure, as part of any contract entered into with a third party, that the third party has sufficiently robust processes in place to fulfil the statutory duties of the Scheme and the performance levels set out in the Pension Administration Strategy.

All information must be provided in the format prescribed by the Fund and within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site www.hackneypension.co.uk

Employer Responsibilities

This section details the functions, **some of which are statutory**, and relate to scheme employers' responsibilities and tasks:

Task/Function	Performance Target
Nominated Representative To receive information from the Fund and to take responsibility for disseminating it within the organisation. Ensure the Fund is kept up to date with any change to the nominated representative.	Notify the Fund **within 30 working days** of employer joining fund, or change to nominated representative.
Employer Discretions Policy Formulate, publish and update (as necessary) in relation to all areas where the employer may exercise a discretion within the LGPS Regulations. A copy of the Policy must be provided to the Fund.	Provide a copy to the Fund **within 30 working days** of the policy being agreed *Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.*

<table>
<tr><th>Task/Function</th><th>Performance Target</th></tr>
<tr><td>Enquiries & Data queries
From the Fund</td><td>Respond to the Fund/administrators within 10 working days from receipt of enquiry.</td></tr>
<tr><td>Contributions – Employer & Employee
Paid monthly to the Fund and to provide schedule of payments in the correct format stipulated by the Fund.</td><td>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.</td></tr>
<tr><td colspan="2">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</td></tr>
<tr><td>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.</td><td>At date specified on the actuarial advice received by the Fund.</td></tr>
</table>

Task/Function	Performance Target
Year end Reports Required by the Fund **in the format stipulated** to your nominated representative in March each year.	Provide to the Administrators **by 30 April** following the year end.
Additional Data & Information Requests May be requested by the Fund for the production of the annual benefit statements in each year	Respond to the Fund/administrators within **10 working days** of receipt of the request from the Fund
Data Errors Following validation by the Fund, errors may be found in the contribution and/or year end information - corrective action may need to be taken promptly.	Respond fully to the Fund/administrators **within 10 working days** of receipt of the request from the Fund
Auto-enrolment – monthly assessment Ensure that any staff who are not already scheme members are assessed according to their age and earnings.	Assessment to be made according to pay periods (e.g. staff paid monthly should be monitored on a monthly basis)
Auto-enrolment within statutory deadlines Ensure that any staff who are not scheme members and become an Eligible Jobholder and none of the statutory exceptions apply, are enrolled into the LGPS.	With effect from the employee's auto-enrolment date Employers must provide the Fund/Administrators with their **monthly AE reports 1 month** following the month of enrolment
Auto-enrolment communications Where employers are providing their own Automatic Enrolment communications, they must ensure that any staff affected by AE (including new starters) are provided with the necessary AE information within statutory deadlines	Within **6 weeks** of the date they become eligible for automatic enrolment
Auto-enrolment communications – if provided by the Fund Where auto-enrolment (AE) communications are provided by the Fund	Employers must provide the Fund with their monthly AE reports within **5 working days** of your own payroll date

Task/Function	Performance Target
Contracting out services Involving a **TUPE transfer** of staff to another organisation.	Contact the Fund at the very beginning of the tender process so that important pension information can be provided for inclusion in the tender documentation.
Admission Agreements To be put in place for new employers admitted to the Fund following the when contracting out a service	Provide to new Employers within **3 months** of joining the scheme
Pension information Provided by the Fund is to be distributed to scheme members/potential scheme members	Provide to members within **15 working days** of receipt of the information or on the member joining the scheme
Starter form and a Member Scheme Guide Provided to new/prospective scheme or refer them to the Fund website.	Provide to member within **5 working days** of commencement of employment or change in contractual conditions.
Additional fund payments In relation to early payment of benefits where a strain cost applies	Paid within **30 working days** of receipt of invoice from the Fund.
Additional administration costs Paid to the Fund associated with the poor performance of the scheme employer.	Paid within **30 working days** of receipt of invoice from the Fund.

Scheme Administration - Forms

This section details the **employer responsibilities** and tasks which <u>relate to member benefits</u> from the Scheme.

Task/Function	Performance Target
Contractual Enrolment To ensure that **all** employees are brought in to the Scheme from their employment start date.	

Starter forms Complete a starter form for each new employee admitted to the pension scheme and ensure that the employee completes their element of the process. **More than one contract of employment** Each contract must have its own starter form as each employment and pension membership must be maintained separately under the Regulations.	Provide Administrators with copy of the **Starter form(s)** within **15 working days** of the employee's employment start date
Employee contribution rate Applied in accordance with the LGPS contribution bandings based on actual pensionable pay – including overtime/bonuses etc.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Main Scheme or 50/50 Scheme contributions To apply the correct employee contribution rate according to actual pensionable pay of the member & in accordance to rates for main scheme or 50/50 To reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the employee of their change in rate.	Review as per employer's own **Employee Contribution Policy** and effect a change in rate if necessary – ie a move from the main scheme to the 50/50 section of the scheme, or vis-versa
Election to join 50/50 section Member election form completed & signed – move member to 50/50 scheme & amend employee contributions only **NOTE – Employer continues to pay FULL rate contributions** **OR** **Election to re-join Main scheme** Member election form completed & signed – move member to main scheme & amend employee contributions only	Reduce **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Election to join the 50/50 section form** within **1 month** following month of election Increase **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Re-join Main Scheme Election form** within **1 month** following month of election

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 including an accurate assessment of their final pay. You must also provide the authorisation form, stating the reason for retirement, signed by the employer as agreement to meet any associated costs with the retirement.	Provide the leaver form to the Administrators within 15 working days **before** the member retires Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Death of a scheme member OR **Member is suffering from a potentially terminal illness**	Notify the Administrators who will then ensure next of kin details are held and any benefits due are paid in accordance with the members' wishes, if appropriate As soon as practicable, but **within 5 working days** of members death

Task/Function	Performance Target
Ill Health Retirement applications Employer to appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications	Notify the Administrators **within 1month** of commencing participation in the scheme, or date of resignation of existing medical adviser
Ill Health Retirement decisions The Employer must determine, based on medical opinion from your IRMP (and assistance from the Administering Authority, if required), whether ill health retirement benefits are to be awarded **and** to determine which tier of benefits are to be awarded e.g. Tier 1, 2 or 3.	To make the decision **within 1 month** of receipt of the IRMP report Provide the Administrators with the **ill health retirement declaration form & completed leaver form** with **5 working days** of the employers final determination and agreed last day of service for the member *Refer to – ill health retirements & tier 3 awards – if you require any assistance*
Ill Health Retirements – Tier 3 awards Employers must keep a record of all Tier 3 ill health retirements, & undertake a review once the pension has been in payment for 18mths to assess if the former employee is gainfully employed & payments are to cease **and** to arrange subsequent appointments with the IRMP to assess whether an increase in benefits is applicable.	Notify the Administrators within **5 working days** of the review being completed in accordance with the LGPS regulations, by providing all necessary paperwork for the Administrators to either continue or cease payments, or to increase the level of benefits to be paid. *Refer to – ill health retirements & tier 3 awards – if you require any assistance*

Important Note:

The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used.

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

MONITORING PERFORMANCE AND COMPLIANCE

Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Fund **and** Scheme Employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy.

This section describes the ways in which performance and compliance will be monitored.

The Pension Board, the National Scheme Advisory Board & the Pensions Regulator (tPR)

The Public Service Pensions Act 2013 established the requirement for local Pension Boards in the LGPS with responsibility for assisting the Administering Authority in relation to the following:

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

As a result, the Local Pension Board of the London Borough of Hackney Pension Fund was established from 1 April 2015. A key aim of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and scheme employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator. Any recommendations made by any of these entities will be considered by the Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

Audit

The Fund is subject to an annual external audit of the accounts and, by extension the processes employed in calculating the figures for the accounts, by KPMG. The key findings of their work are presented to the Pensions Committee in an Annual Governance Report and the Fund is set an action plan of recommendations to implement.

In addition the Fund is subject to internal audits by the Council of its processes and internal controls. Any subsequent recommendations made are considered by the Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The Fund monitors Equiniti's performance against the agreed contract and Service Level Agreements (SLAs). Monthly Service Review Meetings (SRM) are held were work received/completed and SLAs are discussed and Equiniti are asked to explain any variations from the SLAs and Key Performance Indicators (KPIs).

Measuring the Fund against the administration objectives

Objectives	Measurements
Deliver an efficient, quality and value for money service to its scheme employers and scheme members	Service standards achieved in 95% of cases (100% for legal requirements) Customer Satisfaction Surveys with scheme employers and scheme members achieving 95% of scores in positive responses in these areas Positive scheme employer feedback with minimal or no employer complaints Positive scheme member feedback with minimal or no member complaints
Improving the delivery of services, enhanced security and interaction with scheme employers, by greater use of technology and partnership working.	Use of Employer Self Service (ESS) as a default, (100% of employers using the data portal), unless valid reasons not to do so (and have been agreed by the Fund) Positive scheme employer feedback with minimal or no employer complaints No breaches of data security protocols
Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner	Positive results in internal and external audits and other means of oversight/scrutiny. Performance target achieved for collection of contributions by 19th day of the month following the deduction Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints

Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function	Customer Satisfaction Surveys with scheme employers achieving 95% of scores in positive responses in these areas Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan Notify scheme employers of changes to the scheme rules within 2 months of change Offer/organise training sessions for new scheme employers and relevant new staff in scheme employers within 2 weeks of new employer/staff starting Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident Employer responsibilities in relation to administration are regularly communicated to employers
Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner	No breaches of data security protocols Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months Data improvement plan in place with ongoing evidence of delivered agreed improvements Positive results in audit and other means of oversight/scrutiny
Set out clear roles and responsibilities for the Fund and Equiniti and work together to provide a seamless service to Scheme employers and scheme members	Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets The Fund specifies clear service standards with Equiniti

Continuously review and improve the services provided	Achieve continual improvement in member engagement with our online tools Monitoring of the performance standards used to inform the service going forward Use feedback from scheme employers on the service to develop plans Fund work with Equiniti on programme of continuous improvement to the service

Key Risks

The key risks to the delivery of this Strategy are outlined below. Fund officers will work with the Pensions Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Significant external factors, such as national change, impacting on workload
- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members
- Inadequate performance of Equiniti against service standards
- Increase in the number of employing bodies causes strain on day to day delivery
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment
- Failure to administer the scheme in line with regulations. This may relate to delays in enhancement to software or regulation guidance
- Failure to maintain records adequately resulting in inaccurate data
- Unable to deliver an efficient service to pension members due to system unavailability or failure.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this Administration Strategy should email comments to the following address: pensions@hackney.gov.uk . This will be acknowledged within 5 working days and an investigation of the matter will then be undertaken. Following the investigation, a response will be provided to the scheme employer within 15 working days of the initial acknowledgment.

Annual report on the strategy

The Scheme regulations require the Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. This report details the performance of the pension administrators and the Fund's Employers. It is presented to Pensions Committee, Pensions Board and is included within the Pension Fund Annual Report and Accounts.

ROLE OF THE PENSIONS REGULATOR (tPR)

Background

Section 17 and Schedule 4 of the Public Service Pensions Act 2013 extended the role of the Pensions Regulator to include public sector pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015. With regard to the LGPS, the Pensions Regulator now has responsibilities in relation to governance and particularly administration.

Schedule 4 of the Public Service Pensions Act 2013 requires the Pensions Regulator to issue a Code of Practice or Codes of Practice in respect of certain specified matters. In response to this requirement, the Pensions Regulator Code of Practice No 14 ***"Governance and administration of public service pension schemes"*** which came into effect from 1 April 2015.

This Code of Practice is applicable both to the Pension Fund and the individual Employers within the Fund.

Code of Practice No 14

Governance and Administration of Public Service Pension Schemes

Code of Practice No 14 covers the following:-

Governing your scheme

- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes

Managing risks

- Internal Controls

Administration

- Scheme record-keeping
- Maintaining contributions
- Providing information to members

Resolving issues

- Internal dispute resolution
- Reporting breaches of the law

It is crucial that all Employers within the London Borough of Hackney Pension Fund are aware of, and comply with, the legal requirements and standards covered in the Code.

Failures by an Employer to fulfil legal requirements and follow the expected standards within the Code may result in that Employer (rather than the Pension Fund) being subject to legal enforcement action by the Pensions Regulator.

Sections that have particular relevance for Employers in the Fund are Administration and Resolving Issues

Administration

Scheme record-keeping

Key points

- The Scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this.

- The Scheme should work with participating employers to seek to ensure they understand the key events and information they need to provide, and have processes in place to provide timely and accurate data.

- If an employer fails to provide the required information (meaning that they and/or the Scheme Manager may not be complying with legal requirements), the Scheme should consider whether to report the breach to the Pensions Regulator (tPR).

Schemes require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:

- joins or leaves the scheme
- changes their rate of contributions
- changes their name, address or salary
- changes their member status, and
- transfers employment between scheme employers.

If any Employer fails persistently to act according to the procedures set out in this Pension Administration Strategy, meaning that they and/or the Fund may not be complying with legal requirements, the Fund will assess whether there has been a relevant breach and take action as necessary to report breaches of the law to the Regulator under Section 70 of the Pensions Act 2004.

Maintaining contributions

Reporting payment failures

The Scheme must report payment failures that are likely to be of 'material significance' to the Pensions Regulator (tPR) as soon as possible – usually within 10 working days.

A late payment is likely to be of material significance where it was caused by:

- the employer not being willing or able to pay contributions
- possible dishonesty or misuse of assets or contributions
- fraudulent evasion of the duty to pay contributions
- the employer having inadequate procedures or systems in place to ensure the correct and timely payment of contributions due, for example where there are repetitive and regular payment failures,
- contributions having been outstanding for more than 90 days

If any Employer has 3 repetitive or regular payment failures in any one financial year, the Fund will deem this as being of *'material significance'* and in-line with its legal responsibilities, report this to the Pensions Regulator (tPR), immediately following the third failure. The Employer may then be subject to legal enforcement action by the Pensions Regulator.

Resolving issues

Internal dispute resolution (IDRP)

Where a person with an interest in the scheme isn't satisfied with any matter relating to the scheme, they have the right to ask for that matter to be reviewed.

A person has an interest in the scheme if they:

- are a member or surviving non-dependant beneficiary of a deceased member of the scheme
- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme
- are a prospective member of the scheme
- have ceased to be a member, beneficiary or prospective member or
- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website: www.hackneypension.co.uk

All Scheme employers are required to nominate a Stage 1 Adjudicator to deal with disputes at Stage 1 of the process. Scheme employers are asked to supply the details of their Stage 1 Adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is in dispute with a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter internally and may seek an independent senior mediator from within London Borough of Hackney as the Administering Authority to make a final determination. Should this prove to be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of the matter.

POLICY ON THE RECOVERY OF ADDITIONAL ADMINISTRATION COSTS FROM EMPLOYERS

The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the unsatisfactory level of performance of that Scheme Employer.

Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the Scheme Employer's unsatisfactory level of performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer (including the Council) or third party service provider. This includes the payment of fees levied against the scheme employer.

The circumstances where such additional costs will be recovered from the scheme employer are:

- persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or accuracy/quality of information)

- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy

- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales

- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator (tPR), Pensions Ombudsman or other regulatory body.

For the avoidance of doubt, "accuracy/quality" in this Strategy is defined as when we have received a completed form, or transfer of information, with no gaps in mandatory areas and with no information which is either contradictory or which we need to query.

Approach to be taken by the Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of unsatisfactory performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a scheme employer would be seen as a failure and will only be taken once the steps described below are taken to resolve the situation:

1. Write to the scheme employer, setting out area(s) of concern and offer training.
2. If no improvement is seen within one month of the training or no response is received to the initial letter, the scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of concern and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.
5. An annual report will be presented to the Pensions Committee meeting detailing any fees levied against scheme employers and outstanding payments.

Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each task is referenced to the Employer Responsibilities section. Charging is a last resort and the approach outlined above will be followed before a fee is levied.

Employer Responsibility	Additional Administration Charge
Monthly Contributions Payment Late payment of employee and employer contributions to the administrators by the 19th calendar day of month following deduction (must be cleared funds by/on 19th of the month)	£65 plus interest*, calculated on a daily basis until contributions received. *Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus 1%.*

Employer Responsibility	Additional Administration Charge
Monthly Contributions Schedule (HK221) Non-provision of the correct schedule of payments and/or not in the format stipulated by the Fund, accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
NOTE - Any fines imposed on the Fund by the Pensions Regulator, in relation to employer, employee and AVC contributions which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount to be paid within 30 days of receipt
Change Notifications failure to notify the administrators of any change to a members - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	£65 per form, per occasion
Year End Data Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing *For the avoidance of doubt **"accuracy/quality"** in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is 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

Employer Responsibility	Additional Administration Charge
New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Automatic Enrolment (AE) Failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - within 6 weeks of the date they become eligible for automatic enrolment **NOTE** - Any fines imposed on the Fund by the Pensions Regulator due to failure to provided information for Auto enrolment process, which is deemed to be the fault of the Employer, will be passed on to that Employer	Initial fee of £100 then a fee of £50 for every month the information remains outstanding Re-charge amount to be paid within 30 days of receipt
Leaver(s) Failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Retirees Failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding

Employer Responsibility	Additional Administration Charge
Late payment of pension benefits As a result of the **employers failure** to notify the administrators of a scheme members retirement & not providing the correct paperwork, interest becomes payable on any lump sum paid. The administrators will recharge the total amount of interest paid back to the employer	Calculation will be provided – payment due is as invoiced within 30 days of receipt of invoice

Important Note:
The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

EMPLOYER CONTRIBUTION RATES / ADDITIONAL EMPLOYER ASSISTANCE & ASSOCIATED COSTS

Employers Contribution Rates

Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

The London Borough of Hackney has an actuarial valuation undertaken every 3 years by the Fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent 3 years.

Additional Employer Assistance & Associated Costs

The cost of running the London Borough of Hackney Pension Fund is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

The following tasks will be undertaken by the Administering Authority, but are recharged back to the letting department/directorate or school:-

Function/Task	Description & Associated cost
FRS102 – for company Report & Accounts	Provision of data required for FRS102 calculations to the Actuary, plus any chargeable Actuary time Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced
Admission Agreements – when contracting out services e.g .cleaning, catering, security provision – involving TUPE of existing staff	Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required
Cessation Valuations (upon service contract ending) Interim Valuations (either during or prior to the service contract ceasing)	Provision of data required for interim and/provision of data required for interim and/or cessation valuations Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Academy Conversions – schools converting to Academy status	Any work related to this requiring input from the Administering Authority Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Legal Work & non-standard actuarial work	Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE & future pension provision etc. Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced

If an employer wishes the *London Borough of Hackney to carry out work not attributable to pension's administration they will be charged directly for the cost of that work.

The following functions have been designated Employer Functions – this means that they are outside of the normal scope of pension administration responsibilities for the Fund, but the Administering Authority is willing to assist employers with these services.

They will be subject to a charge depending on the level of work required and whether external suppliers have to be engaged such as the Fund's Actuary, Occupational Health, etc.

Function/Task	Description & Associated cost
*Redundancy & Severance calculations (excluding/including pension calculation) *Efficiency Retirements *Flexible Retirements	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions Cost – 1 estimate per employee, per rolling 12 month period is provided free of charge. Subsequent requests from the employer due to a change of circumstance (e.g. last day of service, change of earnings) will be charged at £50 per case
Ill health retirements & Tier 3 awards.	Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, and provide support at the IHRP meetings to determine cessation of benefits or a potential uplift in benefits Cost – as charged by the Occupational Health Service used for each case
Injury payments	Calculation and payment of injury awards Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced

***** the Administering Authority's (LB Hackney) Pensions Team, upon receipt of **accurate information** on the **appropriate estimate request form** in relation to an active member, or employee not in the LGPS, retiring due to age, redundancy, efficiency or flexible retirement, can provide 1 free estimate per member/employee, per 12 month rolling period.

Estimates are normally returned to the requesting employer within 20-30 working days of the receipt of the request – timeframe is dependent on checking employee employment/pension records, complexity of each case and the number of requests received at any one time.

SERVICE AND COMMUNICATION IMPROVEMENT PLANNING

As set out earlier in this Administration Strategy, the Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service. Communication between the Fund and scheme employers is key to providing the service and is therefore an important aspect of service improvement planning.

Equiniti and the administering authority's in-house pension team work together on a programme of continuous improvement to the service.

The monitoring of the performance standards set out in this document will inform the programme going forward and feedback from scheme employers on the service and the way in which the Fund communicates is welcomed in developing plans. Feedback should be e-mailed to: pensions@hackney.gov.uk.

The Fund will take responsibility for improving the service and determining the balance between implementing service improvements and the goal of providing a value for money service for the Fund.

Employers will be informed of any changes to the service provision which affect the way they interact with the Fund.

Important Note:
The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.

ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used

Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.

CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund has consulted with all the scheme employers with active contributors in the Fund. The Strategy will be reviewed every 3 years, or more frequently if there are changes to the Scheme regulations or requirements.

All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website www.hackneypension.co.uk

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

59. (1) An administering authority may prepare a written statement of the authority’s policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate (“its pension administration strategy”) and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority (“its Scheme employers”);

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i)the setting of performance targets,
(ii)the making of agreements about levels of performance and associated matters, or
(iii)such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer’s level of performance) on account of that employer’s unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f)the publication by the administering authority of annual reports dealing with—

(i)the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
(ii)such other matters arising from its pension administration strategy as it considers appropriate; and

(g)such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a)keep its pension administration strategy under review; and

(b)make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a)its pension administration strategy; and

(b)where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995**(41)**; and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)**(42)**.

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16(additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) can not be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer’s level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer’s level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority’s reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Contact Details

For further information on pension issues please contact:

Financial Services
Finance and Corporate Resources Directorate
4th Floor, Hackney Service Centre
1 Hillman Street
London
E8 1DY

Email: pensions@hackney.gov.uk
Telephone: 020 8356 2521

For further information on investment issues please contact:

Financial Services
Finance and Corporate Resources Directorate
4th Floor, Hackney Service Centre
1 Hillman Street
London
E8 1DY

Email: pension.investments@hackney.gov.uk
Telephone: 020 8356 2630

For pension benefit and administration issues please contact:

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

Email: hackney.pensions@equiniti.com
Telephone: 012 9360 3085