

<p style="text-align: center;">PENSIONS COMMITTEE SUPPLEMENTARY AGENDA</p>

20 July 2021

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

**6 ADMISSION OF ATALIAN SERVEST FOOD CO LTD TO THE LBH PENSION
FUND** (Pages 1 - 6)

Report attached

7 2020/21 ANNUAL REPORT (Pages 7 - 46)

Report and appendix attached

**Andrew Beesley
Head of Democratic Services**

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PENSIONS COMMITTEE

20 JULY 2021

Subject Heading:	The admission of Atalian Servest Food Co to the Havering Pension Fund
SLT Lead:	Jane West
Report Author and contact details:	Caroline Berry 01708 432185 Caroline.berry@havering.gov.uk
Policy context:	Local Government Pension Scheme Regulations 2013. Schedule 2 part 3
Financial summary:	The Pension Fund Actuary has assessed the level of Indemnity required as £60,000 and the employer contribution rate has been set at 40.3%.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The purpose of this report is to request the London Borough of Havering Pension Committee agree to the proposed closed scheme agreement for admission of Atalian Servest Food Co Ltd into the London Borough of Havering Pension Fund (The Fund) under the provisions of The Local Government Pension Scheme Regulations 2013, Schedule 2, Part 3 and follows New Fair Deal Guidance. This is due to the TUPE of catering staff from Marshalls Park Academy to Atalian Servest Food Co Ltd for the provision of catering services.

RECOMMENDATIONS

That the admission of Atalian Serves Food Co Ltd into the London Borough of Havering Pension Fund as an admitted body to enable 3 members of staff who transferred from Marshalls Park Academy to continue membership of the Local Government Pension Scheme (LGPS) be agreed, subject to:

- (a) All parties signing up to an Admission Agreement, and
- (b) Atalian Servest Food Co Ltd securing a bond of £60,000 or guarantor to protect the pension fund.

REPORT DETAIL

1. Atalian Servest Food Co Ltd succeeded in winning the contract to provide catering services to Marshalls Park Academy. The contract with Marshalls Park Academy is for a minimum of three years and commenced on 01 September 2019. The Fund was approached in March 2021 by Atalian Servest Food Co Ltd seeking approval for admitted body status.
2. The contracts of employment of affected staff transferred when the catering services transferred from Marshalls Park Academy to Atalian Servest Food Co Ltd on 1 September 2019. The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) Amendment Regulations 2014 ("TUPE") protects the employment terms and conditions of the relevant employees except for pension rights which in this instance are covered under the New Fair Deal guidance 2013. 3 employees were a member of the LGPS on the transfer date.
3. New Fair Deal Guidance is a non-statutory policy setting out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. The guidance is needed to address Pension rights not covered by TUPE.
4. The Pension Regulations require the Local Government Pension Scheme (LGPS) Pension Funds to allow an admission to its scheme if the organisation is one that provides or which will provide a service or assets in connection with the exercise of a function of a scheme employer, as a result of the transfer of the service or assets by means of a contract or other arrangement.
5. Following guidance from MHCLG, where a transferee admission body and the scheme employer undertake to meet the relevant requirements of Schedule 2, Part 3, an administering authority cannot decline to admit to the LGPS the eligible employees of the transferee admission body. The terms on which the admission

is permitted are noted in the Admission Agreement for the purposes of these Regulations.

6. Atalian Servest Food Co Ltd falls within the definition contained in Schedule 2, Part 3 of the Local Government Pension Scheme Regulations 2013 and as such is eligible to become a transferee admission body. Under Schedule 2, Part 3, the administering authority must admit to the scheme the eligible designated employees of the transferee admission body, provided the transferee admission body and the scheme employer undertakes to meet the relevant requirements of the regulations through an Admission Agreement. Legal engrossment of the admission agreement is subject to the service transfer taking place.
7. The London Borough of Havering will seek to sign appropriate transferee Admission Agreements to allow Atalian Serves Food Co Ltd to be admitted to the London Borough of Havering Pension Fund. When the Admission Agreement is formed Atalian Serves Food Co Ltd will be required to pay contribution rates as determined by the Fund Actuary. This has been set initially at 40.3% of pensionable pay.

IMPLICATIONS AND RISKS

Financial implications and risks:

Continued membership in the LGPS means there is no loss to contributions into the Fund. As noted in the report, employer contributions to be paid by admitted bodies are determined by the Fund's Actuary. Atalian Servest Food Co Ltd's employer contribution rate has been set at 40.3%. Atalian Servest Food Co Ltd are allocated a share of assets to ensure they are fully funded at the transfer date.

The Fund's actuary has determined a bond or indemnity is required to cover the assessed level of risk arising in relation to premature termination of the provision of service or assets provided by Atalian Servest Food Co Ltd by reason of insolvency, winding up or liquidation and the level of bond set by the actuary is £60,000. There are risks to the letting authority (Marshalls Park Academy) if the bond levels are not reviewed in line with employee and legislative changes. This risk will be managed by putting in place a timescale for bond reviews and ensure this is included in the Admission Agreement. Bond renewals are to be carried out by the Fund's actuary.

The letting authority (Marshalls Park Academy) also faces risk if the admitted body is unable to meet any funding deficits at the end of a contract. This risk will be managed by putting in place regular reviews of Atalian Servest Food Co Ltd's employer rate.

The risk of non-payment of contributions, which would have a cash flow impact, is actively managed by the Havering pension team on a monthly basis with

appropriate escalation for non-compliance. Cash flow performance is reported in the Pension Fund Annual Report.

The Fund actuary has carried out an employer risk profiling exercise for Atalian Servest Food Co Ltd which highlighted no immediate concerns. Annual employer risk profiling will be carried out by the Fund's actuary.

There are no immediate financial implications to the Fund arising from the Fair Deal arrangements

Legal implications and risks:

Academies are scheme employers for the purposes of the local government pension scheme. Where they let contracts for the provision of services, their contractors are eligible to become admission bodies, subject to the completion of an admission body agreement and the provision of a bond or indemnity, if required, to cover the risks to the pension fund arising from premature termination of the provision of service by reason of insolvency, winding up or liquidation of the admission body.

Academies are public sector bodies required to have regard to the Government's policy guidance "Fair Deal for staff pensions: staff transfer from central Government" (published with immediate effect on the 4 October 2013) when outsourcing services. Where staff are compulsorily transferred (TUPE) to an independent provider of public services (Atalian Servest Food Co Ltd) those staff will generally have a right of continued access to the relevant public service pension arrangements (Havering LGPS) where they are classified as non-teaching staff

In the case of the Marshalls Park Academy employees transferring to their new catering contractor, Fair Deal obligations can be achieved by means of an admission body agreement, between the administering authority (Havering) and the letting authority (Marshalls Park Academy) and the employing/admission body (Atalian Servest Food Co Ltd) allowing the transferring employee to remain a member of the Local Government Pension Scheme. The Academy and the contractor have applied for admission on a closed basis and actuarial assessments have been undertaken on that basis in order to assess contributions and the bond value.

The admittance of Atalian Servest Food Co Ltd into the Havering Pension Fund will ensure that the current employees enjoy their current pension protection when transferring to their new employer and negate against any complaints to the Pension Regulator and Pensions Ombudsman resulting from a failure to ensure Fair Deal pension protection for its employee on transfer.

The recommendations in this report are in keeping with the constitutional delegation.

Human Resources implications and risks:

The recommendations in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Admitted body status will allow the former Marshalls Park Academy staff (who transferred to the new provider on 1 September 2019) continued membership eligibility of the LGPS.

Equalities implications and risks:

The proposed admission of Atalian Servest Food Co Ltd into the London Borough of Havering Pension Fund will not only ensure that New Fair Deal guidance has been followed but will also enable the Marshalls Park Academy staff who were compulsorily transferred to Atalian Servest Food Co Ltd to continue to enjoy pension protection with their new employer.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. We will ensure that disabled people with sensory impairments are able to access the strategy.

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PENSIONS COMMITTEE

20 JULY 2021

Subject Heading:

**BUSINESS PLAN/ANNUAL REPORT
ON THE WORK OF THE PENSIONS
COMMITTEE 2020/21**

SLT Lead:

Jane West

Report Author and contact details:

Debbie Ford
Pension Fund Manager (Finance)
01708432569

Policy context:

Debbie.ford@onesource.co.uk
A Business plan demonstrates
compliance against Myners' principles
for effective decision making.

Financial summary:

Any associated costs met by the
Pension Fund

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report sets out the work undertaken by the Committee during 2020/21 and the plan of work for the forthcoming three years, attached as **Appendix A**. This will form the basis of the Pension Fund Business Plan.

This report explains why a Business Plan is needed and what it should contain.

RECOMMENDATIONS

That the Committee:

- 1) Agree the Business Plan/Report of the work of the Committee for the year 2020/21 (Appendix A refers).
- 2) Consider any additions to the work plan for the Committee for 2021/22 and beyond (Section 3 within this report refers)

REPORT DETAIL

1. Background

- 1.1 Included within Myners Principle 1: Effective Decision Making suggested best practice was to create a Business Plan and a Training Plan.
- 1.2 The new Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 has removed the requirement to publish compliance against the six Myners principles but the Committee agreed to still publish and explain compliance against these principles. This was published with the new Investment Strategy Statement in July 2020.
- 1.3 To meet best practice it is appropriate to continue to prepare a report on the activity of the Committee on an annual basis and this will be adopted as the Business Plan. The Business Plan will incorporate the Training Plan. This would demonstrate compliance against Myners Principles 1: Effective Decision making.
- 1.4 In line with the Councils constitution – Part 4 Rules of procedure Ordinary meetings of the Council will receive reports for the previous year from the Chair of the Pensions Committee, this meeting is scheduled for the 1 September 2021.
- 1.5 CIPFA guidance suggests that the Business Plan is submitted to the committee for consideration and should contain:
 - a) Major milestones & issues to be considered by the Committee
 - b) Financial estimates – investment and administration of the Fund
 - c) Appropriate provision for training
 - d) Key targets & methods of measurement
 - e) Review level of internal & external resources the committee needs to carry out its functions
 - f) Recommended actions to put right any deficiencies.

2. Training

- 2.1 It is important that all the Members of the Committee are adequately trained and briefed to make effective decisions and those members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference of this Committee which are:
- a) To consider and agree the Investment Strategy Statement for the Pension Fund and subsequently monitor and review performance
 - b) Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
 - c) To appoint and review the performance of advisers and investment managers for pension fund investments
 - d) To take decisions on those matters not to be the responsibility of the Executive under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning The Local Government pension Scheme.
- 2.2 The Pensions Regulator (TPR) Code of Practice which came into force on 1 April 2015 includes a requirement for members of the Pension Committee/Local Pensions Board (LPB) to demonstrate that they have an appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB.
- 2.3 LGPS (Amendment) (Governance) Regulations 2015 states that Administering Authority must have regard to guidance issued by the Secretary of State. Guidance was issued by the then Shadow Scheme Advisory Board (SAB) in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role.
- 2.4 A joint training strategy that incorporates Pension Committee member training with LPB members to keep officer time and training costs to a minimum, has been developed and agreed by the Pensions Committee on the 24 November 2015 and the Local Pension Board on the 6 January 2016. The Training Strategy can be found in **Appendix A - Annex C. The Training Strategy will be reviewed over the next year in preparation for the Good Governance Review and The Pensions Regulator New Code of Practice.**
- 2.5 The Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA's Knowledge and Skills Code of Practice.
- 2.6 Training and development will be held with regard to the work plan as shown in **Appendix A - Annex B.** The training undertaken can be seen within **Appendix A - Annex D**

- 2.7. Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the “qualitative test” under **Markets in Financial Instrument Directive (MiFID 11)**. Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

3. Work Plan for 2021/22 and beyond

- 3.1 In addition to the annual cyclical work programme as shown in **Appendix A - Annex B** there are a number of key issues that are likely to be considered by the Pensions Committee in the coming year and beyond:

- a) Training/Workshop on Climate Risk and sign off of Climate Plan.
- b) Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance
- c) Environmental, Social, Governance (ESG) Investments continued development and monitoring.
- d) Investment Strategy updates - Equity restructure – LGIM Future world /Low carbon mandate and review of emerging markets equity investing.
- e) Planning for Hymans/SAB Good Governance guidance compliance
- f) Planning for TPR New Code of practice compliance– there will be overlap with Good Governance/SAB requirements
- g) New training policy to reflect Good Governance and TPR compliance
- h) Development of Data Improvement Plan
- i) Development of Pensions Administration Strategy
- j) London CIV Pooling progression/Continued transfer of assets to the London CIV
- k) Preparation for next Fund Valuation in 2022 (including McCloud project for admin, Data cleansing, Review of employer database, cash flow data)
- l) Continued development and implementation of the Investment Strategy
- m) SAB developments
- n) Consideration of LGPS Regulation changes and consequential policy, as applicable
- o) Topical issues discussed as appropriate
- p) Continued training and development

- 3.2 The above list is not exhaustive and Members are asked to consider if there are any other areas of work that they require to be included.

IMPLICATIONS AND RISKS

Financial implications and risks:

Training costs are met from the Pension Fund directly or via the Advisor Fee.

There is a considerable risk of poor decision making if Members of the Committee are not adequately trained.

Legal implications and risks:

In line with the Council's constitution – Part 4 Rules of procedure Ordinary meetings of the Council will receive reports for the previous year from the Chair of the Pensions Committee:

The specialist training of those Members who oversee the administration of the Council Pension Scheme is highly desirable in order to help show the proper administration of the scheme. The Council's Constitution recommends that the Membership of the Pension Committee remains static for the life of the Council for the very reason that Members need to be fully trained in investment matters. The life of the Council is considered to be the four year term.

Otherwise there are no apparent legal implications in taking the recommended decisions.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

None



Havering

LONDON BOROUGH

HAVERING PENSION FUND

**BUSINESS PLAN/REPORT ON THE WORK
OF THE
PENSIONS COMMITTEE
DURING
2020/21**

INTRODUCTION

The Havering Pension Fund (the Fund) provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members on the Havering Pension Fund and the work of the Pensions Committee.

The Business Plan looks forward over the next three years and will be reviewed and updated annually.

This report also covers the period 1st April 2020 to 31 March 2021 and outlines:

- The work of the Pensions Committee
- Key issues arising during the course of the year

The value of assets held and the financial position of the Havering Pension Fund for 2020/21 is included in the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

BACKGROUND TO THE PENSION FUND

The authority is an Administering Authority under the Local Government Pension Scheme Regulations and as such invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Pension Fund has a total of 56 employers with active members, of which the London Borough of Havering is the largest. The other employers in the Fund are made of up of 41 Scheduled bodies (Academies and Further Education bodies) and 14 Admitted bodies (13 outsourced contracts and one resolution body). During 2020/21 there were 5 new employers joining the fund and 1 cessation.

The authority has delegated the responsibility for investment strategy and performance monitoring to the Pensions Committee.

Pension Fund – Funding

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2019/20 based on data as at 31 March 2019. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for the following three years with the results of the 2019 valuation effecting employer contribution rates from 1 April 2020.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process, the Fund reviews its funding and investment strategies to ensure that an appropriate contribution plan is in place. The Fund also monitors the funding position at the midway point between triennial valuations as at 30 September 2020. The purpose of the funding update is to assess whether the funding plan is on track and take actions if necessary

A comparison of funding levels can be seen below:

Comparison of funding levels:

Ongoing funding basis	30 Sep 2020	31 Mar 2019	31 Mar 2016	31 Mar 2013
	£m	£m	£m	£m
Assets	795	733	573	461
Liabilities	1,168	1,054	857	752
Surplus/(deficit)	(373)	(321)	(284)	(291)
Funding level	68.1%	70.0%	66.8%	61.2%

Since the 2019 valuation the funding level is relatively unchanged. However, this masks the volatility that occurred in the year as a result of COVID-19 and the subsequent rally in markets since.

Having reviewed the funding position as at September 2020, no actions are required to change the current funding plan. Employer contributions will not be reviewed until the next valuation, based on data as at 31 March 2022.

Pension Fund – Investment Strategy Development & Performance Monitoring

The Committee adopted an Investment Strategy Statement (ISS) in November 2017 and implementation of achieving the long term target asset allocation has been ongoing since then. An updated version of the ISS was presented to the Pensions Committee at its meeting on the 29 July 2020 (postponed from 17 March 2020) and the Committee agreed the proposed amendments.

The ISS was updated to reflect the decisions and progression of the implementation of the strategy made by the Committee since its launch in 2017. Following the 29 July 2020 meeting the Committee considered and agreed further developments in the investment strategy at its meetings on the 1 October 2020 and 16 March 2021.

The Pensions Committee has also completed its development of a formal Statement of Investment Beliefs. The Pensions Committee believe that having a clear set of investment beliefs can improve governance by providing a framework for all investment decisions. It will provide a rationale for the decision making process and drive the ISS going forward. These have now been incorporated into the ISS.

Following on from decisions made to the ISS the committee continue to make decisions in order to progress with its implementation.

Significant implementation/progression of the investment strategy during 2020/21 were as follows:

- £40.4m settlement to fund the transfer out of the colleges was paid to the London Pension Fund Authority (LPFA) in July and August 2020. This was funded from disinvestments from LCIV Diversified Growth, LCIV Absolute Return, Corporate Bonds, GMO and internal cash. The mandate with GMO is now closed.
- Royal London Multi Asset Credit (MAC) Fund commenced January 2020. The Committee agreed to increase the allocation to the MAC fund to bring this in line with the long term target of 7.5%. The investment of £21.5m was invested in December 2020, which was funded from profit within the LCIV Global Alpha Fund.

- Following strong performance over 2020, profit to be taken from the LCIV Global Alpha Fund and rebalanced, in line with Funds rebalancing policy. This profit to be utilised in the asset allocation restructure
- In order to maintain the asset allocation of 7.5% to infrastructure the Committee agreed to invest in the Stafford (SISF IV) Fund with a total commitment of c£27m. The first capital call for this mandate commenced March 21.
- Later agreed to increase the asset allocation to Infrastructure from 7.5% to 10%. The additional 2.5% increase will be allocated to the LCIV Renewables Fund. On-boarding process will be undertaken to meet the second close in July 2021.
- Agreed to move the Funds mandate with LCIV Global Alpha Fund to the Paris Aligned version. On-boarding process will commence during 2021.
- Equity restructuring started in 2020/21 with members giving consideration to replace the LGIM Fundamental mandate with a Multi Factor strategy in order to diversify exposure to factors, and the Multi Factor strategy embed a “carbon-tilt” in order to reduce exposure to climate risk. Consideration of equity restructuring will continue in 2021/22.
- The Fund has continued to fund capital calls for the Private Debt and Infrastructure mandates, as follows:

Investment Manager	Mandate	Amount £000's
Stafford II	Infrastructure	5,862
Stafford IV	Infrastructure	1,698
Churchill	Private Debt	7,177
Permira	Private Debt	11,575
Total		26,312

Asset Allocations

The asset allocations as at 31 March 2021 are shown below together with individual fund manager benchmarks:

Asset Class	Actual Allocation 31 March 2021	Investment Manager/ product	Segregated/ pooled	Active/ Passive	Benchmark and Target
Equities	21.8	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All World Index plus 2.5%
Equities	8.2	Legal & General Investment Management (LGIM)	Pooled	Passive	FTSE All World Equity Index
Equities	7.4	LGIM	Pooled	Passive	FTSE RAFI 3000 Index
Equities	4.5	LGIM	Pooled	Passive	FTSE World Emerging Markets

Asset Class	Actual Allocation 31 March 2021	Investment Manager/ product	Segregated/ pooled	Active/ Passive	Benchmark and Target
Equities	41.9				
Multi Asset Strategy	10.1	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Bank Base Rate +3.5%
Multi Asset Strategy	12.7	LCIV Ruffer	Pooled	Active	Preserve and grow capital (LIBOR +4% p.a.)
Multi-asset	22.8				
Property	4.7	UBS	Pooled	Active	Match MSCI All Balanced Funds Weighted Average Index
Property	3.2	CBRE Global Property	Pooled	Active	CPI +5%% p.a. (net of fees)
Infrastructure	2.2	Stafford II	Pooled	Active	CPI +5%% p.a. (net of fees)
Infrastructure	0.2	Stafford IV	Pooled	Active	CPI +5%% p.a. (net of fees)
Infrastructure	2.7	JPMorgan	Pooled	Active	CPI +5%% p.a. (net of fees)
Real assets	13.0				
Index Linked Bonds	4.4	Royal London	Segregated	Active	40% FTSE Index Linked over 5 Year index.
Multi Asset Credit	7.1	Royal London	Pooled	Active	<ul style="list-style-type: none"> • 30% ICE BAML, BB-B Index • 30% Credit Suisse US Leveraged Loan Index GBP Hedged
Corporate Bonds	4.3	Royal London	Segregated	Active	IBOXX Sterling Non Gilt over 10 Year index
Other Bonds-Private Debt	2.2	Churchill	Pooled	Active	Outperform cash + 4% p.a
Other Bonds-Private Debt	2.0	Permira	Pooled	Active	Outperform cash + 4% p.a
Cash	2.0	n/a	n/a	n/a	n/a
Currency Hedging	0.3	Russell	Segregated	Passive	Hedge 100% of EUR, USD and AUD currency (non-equity)
Bonds and Cash	22.3				
TOTAL	100.0				

As at March 2021 the total value of assets with the London CIV is £390m (£314m 2019/20) which represents 45% (44% 2019/20) of assets under management. The London CIV has a business arrangement with LGIM to deliver the passive global mandate; this can be classified as being held within the London CIV so the allocation increases to £566m (£438m 2019/20). Overall allocation is 66% (62% 2019/20), increase in the value of assets are attributable to a changes in market value.

The Fund will continue to have ongoing discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) timelines.

Fund Performance

The performance of the Fund is measured against a tactical and a strategic benchmark.

Strategic Benchmark - A strategic benchmark has been adopted for the overall Fund of Index Linked Gilts + 1.8% per annum. This is the expected return in excess of the fund's liabilities over the longer term. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit.

Tactical Benchmark - Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

The Fund uses the performance measurement services from Northern Trust, to provide comparative statistics on the performance of the Fund for its quarterly monitoring.

The overall net performance of the Fund as at 31 March 2021 against both benchmarks is shown below:

	<u>1 year to</u> <u>31.03.20</u> %	<u>1 year to</u> <u>31.03.21</u> %	<u>3 Years to</u> <u>31.03.21</u> %	<u>5 years to</u> <u>31.03.21</u> %
Fund Return	-1.55	24.90	8.32	9.35
Tactical Benchmark	0.34	16.04	6.93	7.15
Performance	-1.21	8.86	1.40	2.20
Fund Return	-1.55	24.90	8.32	9.35
Strategic Benchmark	3.89	4.19	5.14	7.66
Performance	-5.44	20.71	3.18	1.68

Source: Northern Trust

The overriding investment objective for the Fund is to support an affordable and stable level of contributions for the longer term. The current funding approach implies a target investment return of Gilts + 1.8% p.a. over the longer term from the Fund's assets, or c. 3.3% per annum in absolute terms based on yields as at 31 March 2019 (the previous valuation date).

Strong returns have been observed over the 12 month, 3 year and 5 year periods to 31 March 2021 (at 24.9%, 8.3% p.a. and c. 9.4% p.a. respectively). Returns over all time periods shown are therefore substantially ahead of the long term (absolute) return deemed sufficient to support an affordable and stable level of contributions.

The value of the Fund's assets have increased by more than the value placed on the liabilities since March 2019, implying the funding deficit has decreased since the 2019 actuarial valuation. However, although assets have risen by more than liabilities since 2019, liabilities have continued to increase over this period, driven by a further fall in gilt yields which remain at historically low levels. Our long term outlook for index-linked gilts remains unchanged. We believe that valuations are inflated relative to history and expect that, over the long term, yields will rise from present levels leading to a fall in gilt (and consequently liability) values.

Asset outperformance over the year has been driven by the Fund's equity exposure, most notably the Baillie Gifford Global Alpha Fund which currently accounts for c.20% of Fund assets and posted 12 month returns to March 2021 of 56%. The rebound in equity markets from the COVID-19 lows of March 2020 has been a lot faster and stronger than many predicted and has resulted in traditional equity and bond markets ending March 2021 at exceptionally high levels. Within equity markets, a shift towards stocks which are perceived to be good 'value' in terms of their fundamental assessment was observed towards the end of 2020. Equity funds tilted towards these 'value' stocks outperformed those tilted towards stocks with large expected revenue growth, such as the Baillie Gifford Global Alpha Fund, in Q4 2020 and Q1 2021.

Implementation of the previously agreed changes in strategy have continued over the year and have seen allocations to multi-asset mandates reduced, albeit the underlying equity exposure has been retained. Allocations to global infrastructure, global property, multi-asset credit and private debt have all been introduced to the Fund's longer term strategy over recent years, offering the prospect of long-term income generation and boosting diversification within the strategy. Further structural changes to the equity portfolio were agreed during the year and are in the process of being implemented.

Finally, we note that the Fund has also begun taking steps to address climate risk within its strategy. The Committee recognises the long-term financial risks presented by climate change and has been considering how the strategy can be evolved to account for climate risks. Progressive changes are being made to the underlying equity allocations and it has also been agreed to introduce a commitment to renewable energy infrastructure. These steps in conjunction with the other changes gives us confidence that the level of returns required to support affordable and stable contributions can be (at least) supported by the current investment approach whilst addressing longer term systemic change.

The former (DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement (ISS) issued September 2016 relaxed the regulatory framework for scheme investments which also included the relaxation on reviewing investment manager performance.

In light of the above guidance, the Committee reviewed the reporting arrangements in June 2017 and agreed that only one fund manager will attend each Committee meeting, unless performance concerns override this. Managers in the London CIV are now monitored by them

and the London CIV produce quarterly monitoring reports which are distributed to the Committee.

Cyclical coverage of manager monitoring is set out in **Annex B**, covering 2021/22 and 2022/23.

FUND GOVERNANCE STRUCTURE

Investment strategy and performance monitoring of the Fund is a matter for the Committee which obtains and considers advice from the Authority and onsource officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The terms of reference for the Committee are:

- To consider and agree the investment strategy and statement of investment principles (SIP) (now called Investment Strategy Statement) for the Pension Fund and subsequently monitor and review performance
- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- To appoint and review the performance of advisers and investment managers for pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7, 12 or 24 of the Superannuation Act 1972

The membership of the Pensions Committee reflects the political balance of the Council and the structure of the Committee (those responsible for decision making during the year to 31 March 2021), are as follows:

Conservative Group:

Cllr John Crowder (Chair)
Cllr Osman Dervish
Cllr Jason Frost

Residents Group

Cllr Stephanie Nunn

North Havering Residents' Group

Cllr Martin Goode (Vice Chair March 2019)

Upminster & Cranham Residents' Group

Councillor Ron Ower

Labour Group

Cllr Keith Darvill

Other

Union Members (Non-voting) - John Giles (Unison) replaced by Derek Scott (Unison) from September) and 2019 Andy Hampshire (GMB)

Admitted/Scheduled Body Representative (voting) (currently vacant)

SCHEME MANAGEMENT AND ADVISERS

Day to day management of the Fund is delegated to the authority's statutory section 151 officer/Chief Operating Officer and delivered via oneSource (shared service arrangement between London Borough of Havering, Newham and Bexley (part year only)).

The Pensions and Treasury team within the oneSource Finance Service ensures that members of the committee receive advice on investment strategy and monitoring of the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who has engaged the Local Pension Partnership Administration (LPPA) to undertake their pension's administration. The LPPA monitor and manage the pension's employers and employee contributions into the Fund. The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

Chief Executive	Andrew Blake-Herbert
Section 151 Officer	Jane West
Pensions Administration Management	Sarah Bryant Director of Exchequer & Transactional Services (oneSource)
Fund Administrator	Local Pension Partnership Administration (LPPA)
Pension Fund Manager (Finance)	Debbie Ford (oneSource)
Legal Advisers	London Borough of Havering Legal Services (oneSource) provide legal advice as necessary
Fund Actuary	Hymans Robertson LLP
Fund Investment Advisers	Hymans Robertson LLP
Investment Managers	Royal London Asset Management (Investment Bonds) UBS (Property) London CIV Baillie Gifford Diversified Growth Fund London CIV Baillie Gifford Global Alpha London CIV RF Absolute Return Legal & General Investment Management GMO Global Real Return (UCITS) (closed in July 2020) Stafford Capital – Real Assets Infrastructure JP Morgan – Real Assets Infrastructure CBRE – Real Assets Global Property Churchill Asset Management – Private Debt Permira Credit Solutions– Private Debt Russell Investment – Currency management
Asset Pool Company	London Collective Investment Vehicle (London CIV)

Fund Custodians	Northern Trust
Performance Measurement	Northern Trust Pensions & Investment Research Consultants Limited (PIRC)
Bankers	National Westminster Bank PLC
Auditors	Ernst and Young LLP
AVC Providers	Prudential Standard Life

PENSION COMMITTEE MEETINGS 2020/21

The Committee met a number of times during 2020/21 and **Annex A** sets out the coverage of matters considered, but the key issues that arose in the period are shown below:

On 11 March 2020 the World Health Organisation (WHO) declared a COVID-19 pandemic. This caused a world-wide public health emergency. During 2020/21 committee meetings were held remotely (virtually) in order to ensure adherence to the safe use of council buildings guidance.

Committee papers for the meeting scheduled for 17 March 2020 were distributed but the meeting was cancelled as the pandemic declaration and working restriction came into force. Reports that required the Committees agreement were rolled over into the next scheduled meeting in July 2020.

Summary of Major Milestones & key issues considered by the Committee

- Investment Strategy - Agreed the updated Investment Strategy Statement and noted and agreed further execution of the investment strategy implementation.
- Agreed the Administering and Employing authorities Discretions Policy.
- Agreed the Voluntary Scheme Pays Policy.
- Agreed the Business Plan and Annual report on the work of the Committee 2019/20
- Agreed the Pension Fund Annual Report for the year ending 31 March 2020
- Pension Administration Services - Noted the additional costs in 2020/21 and agreed the 2021/22 budget.
- Reviewed Fund Managers quarterly performance – received presentations from JP Morgan (Infrastructure), London CIV (for Multi Asset, UK Equities and Absolute Return sub funds and LCIV updates), and CBRE (Overseas Property).
- Reviewed performance of the Pension Fund's Custodians, Investment Advisor and Actuary.
- Noted Local Pension Board Annual report for the year ending March 2020
- Noted Pension Fund Accounts for the Year ending 31 March 2020
- Noted the summary of responsible investment activities of the Funds investment Managers.
- Local Government Pension scheme (LGPS) updates - The Committee receives updates on relevant issues and developments in the LGPS and London CIV.

PENSION COMMITTEE MEETINGS 2021/22 AND ONWARDS

In addition to the annual cyclical work programme as shown in **Annex B** there are a number of key issues that are likely to be considered by the Pensions Committee in the coming year and beyond:

- Training/Workshop on Climate Risk and sign off of Climate Plan.
- Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance
- Environmental, Social, Governance (ESG) Investments continued development and monitoring.
- Investment Strategy updates - Equity restructure – LGIM Future world /Low carbon mandate and review of emerging markets equity investing.
- Planning for Hymans/SAB Good Governance guidance compliance
- Planning for TPR New Code of practice compliance– there will be overlap with Good Governance/SAB requirements
- New training policy to reflect Good Governance and TPR compliance
- Development of Data Improvement Plan
- Development of Pensions Administration Strategy
- Communications Strategy update for 2021 to 2024
- London CIV Pooling progression/Continued transfer of assets to the London CIV
- Preparation for next Fund Valuation in 2022 (including McCloud project for admin, Data cleansing, Review of employer database, cash flow data)
- Continued development and implementation of the Investment Strategy
- SAB developments
- Consideration of LGPS Regulation changes and consequential policy, as applicable
- Topical issues discussed as appropriate
- Continued training and development

INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the Administrating Authority's Finance and Administration services (oneSource) and the associated costs are therefore reimbursed to the Administrating Authority by the Fund. The costs for these services form part of the Administrative and Investment Management expenses as reported in the Pension Fund Statement of Accounts.

Estimated costs for the forthcoming three years for Administration, Investment Management expenses and Governance & Oversight follow in this report.

Pensions Administration - From 1 November 2017 the Pensions Administration is provided through a delegated arrangement and is supplied by Local Pensions Partnership Administration (LPPA) which is a joint venture between Lancashire County Council and London Pensions Fund Authority.

Pensions Administration also includes a post for the Projects and Contracts Manager who monitors the pension's administration contract and ad hoc projects.

Accountancy and Investment support - The oneSource Finance service that supports the Pension Fund consists of an establishment of 2 full time equivalent posts.

FINANCIAL ESTIMATES

In June 2014 The Chartered Institute of Public Finance & Accountancy (CIPFA) produced guidance on how to account for Management costs and then updated it in 2015 in order that improvements in cost comparisons can be made across all funds. Management costs are now split between three cost categories as follows:

Administrative Expenses

Includes all staff costs associated with Pensions Administration, including Payroll.

	2019/20 Actual £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Administration & Processing*	276	500	580	660	660	660
Other Fees (Levies)	14	20	8	10	10	10
Other Costs (Interest)	25	30	13	25	25	25
TOTAL	315	550	601	695	695	695

Please note the following regarding the above figures:

*2019/20 actuals reflect a credit of £215k for an accrual that was not required, understating the total cost.

*2020/21 Increase in Administration Service costs of £94k as reported to Pensions Committee 16 March 2021.

Investment Management expenses

These costs will include any expenses incurred in relation to the management of Fund assets. Fees are calculated based on market values under management and therefore increase or reduce as the value of investments change.

In Line with the CIPFA LGPS Example Accounts 2020/21 guidance, there is a new requirement to provide more detail in respect of management fees. Options included the analysis of investment fees over asset class which the Fund adopted. The breakdown of management fees

over each asset class can be found in Note 11a in the Statement of Accounts and only the total is shown here. The change in analysis required prior year restatement and this impacted some analysis as shown in the table below:

	2019/20 Actual (restated) £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Fund Manager Fees	2,935	3,400	3,159	3,100	3,100	3,100
Performance Related Fees	108	-	102	105	105	105
Transaction costs	96	25	67	80	80	80
Custodian Fees	27	25	37	50	50	50
Performance Measurement services	17	15	33	35	35	35
Other Investment Fees	9	-	14	15	15	15
TOTAL	3,192	3,465	3,412	3,385	3,385	3,385

Please note the following regarding the above figures:

- 2019/20 restated to conform to new CIPFA guidance.
- Fund Manager Fees are charged according to the fund value; therefore an average figure from the last two years has been applied for 2021/22 onwards
- Custodial service contract increased to provide additional accounting service from 2021/22.

Governance and Oversight

This category captures all costs that fall outside the above two categories and include legal, advisory, actuarial and training costs. Staff costs associated with the financial reporting and support services to the Committee is included here.

	2019/20 Actual £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Financial Services	144	145	163	165	165	165
Actuarial Fees	101	25	13	25	100	25
Audit Fees	14	16	16	60	60	60
Member Training (inc. LPB)	-	10	-	10	10	10
Advisor Fees	79	65	69	75	75	75
London CIV	96	110	119	110	110	110
Local Pension Board	2	5	1	5	5	5
Pensions Committee	31	40	33	35	35	35
Other Fees	1	10	1	10	10	10
TOTAL	468	426	415	495	570	495

Please note the following regarding the above figures:

- Actuarial fees in 2019/20 reflect increased fees for work carried out in relation to the 2019 valuation and additional project work. Next valuation in 2022 so higher charges expected during 2022/23.
- Audit fees subject to approval by Public Sector Audit Appointments (PSAA).

OVERALL MANAGEMENT TOTAL	3,975	4,441	4,428	4,575	4,650	4,575
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TRAINING AND DEVELOPMENT STRATEGY

The Local Pension Board (LPB) has been in place since 25 March 2015.

The Pensions Regulator Code of Practice which came into force on 1 April 2015 includes a requirement for members of the Pension Committee/LPB to demonstrate that they have an appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB.

LGPS (Amendment) (Governance) Regulations 2015 states that Administering Authority must have regard to guidance issued by the Secretary of State. Guidance was issued by the then Shadow Scheme Advisory Board in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role. It was always the plan to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.

A joint training strategy has been developed and was agreed by the Pensions Committee on the 24 November 2015 and presented to the Local Pension Board at its meeting on the 6 January 2016. The Training Strategy can be found in **Annex C**. The Training Strategy will be reviewed over the next year in preparation for the Good Governance Review and The Pensions Regulator New Code of Practice.

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. The Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Code of Practice.

Pension Committee and Board members are expected to achieve a minimum level of training credits and the CIPFA's Knowledge and Skills self-assessment training questionnaire will be used to record credits attained and identify gaps in the knowledge and skills of the members.

As set out in the Councils constitution committee procedure rules, a member appointed to the Pensions Committee shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed. Long membership of the committee is encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under **Markets in Financial Instrument Directive (MiFID 11)**. Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

PROVISION OF TRAINING

A training budget has been agreed for the provision of training for £10,000 but this will be re-evaluated as appropriate. Training costs will be met from the Pension Fund.

The majority of training and development is cyclical in nature, spanning the four year membership of the committee. Associated training and development will be given when required which will be linked to the Pension Fund meeting cyclical coverage for 2020/21 and onwards as shown in **Annex B.**

In addition to the cyclical training and development that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Special pension committee meetings will be arranged from time to time to discuss matters that fall outside of the cyclical meetings.

The Fund encourages use of the three day training courses offered by the Local Government Employers which is specially targeted at elected members with Pension Fund responsibilities. All new members are encouraged and given the opportunity to attend.

Members receive briefings and advice from the Fund's Investment adviser at each Committee meeting.

Members and Officers also attend seminars arranged by Fund Managers or other third parties who specialise in public sector pensions.

The Fund is a member of the CIPFA Pensions network which gives access to an extensive programme of events, training/workshops, weekly newsletters and documentation, including briefing notes on the latest topical issues.

The Head of Pensions and Treasury, Pension Fund Manager and /or Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

Officers within onesource Pensions teams also benefit from sharing of best practice

The London CIV runs periodic seminars to aid Officer and Committee member development.

Training and development took place during 2020/21 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

Training logs are maintained and attendance and coverage can be found in **Annex D.** Training has been recorded since the election in May 2018 to demonstrate continuous development and training during their full term of elected office on the Pensions Committee.

The Pensions Regulator has launched an e-learning programme and this has been made available for members to use.

Training will be targeted as appropriate.

PENSIONS COMMITTEE MEETINGS (VIRTUALLY) DURING 2020/21

ANNEX A

MONTH	TOPIC	ATTENDED BY
29 July 2020	<ul style="list-style-type: none"> Noted Pension Fund Performance Monitoring for the quarter ending 31 March 2020, (deferred presentation from Infrastructure Manager (JP Morgan to the next meeting) Noted Pension Fund Accounts for the year ending 31 March 2020. Agreed the Business Plan/Annual Report on the work of the Pensions Committee 2019/20 Noted the summary of responsible investment activities of the Funds investment managers (rolled over from the 17 March 2020 cancelled meeting). Noted the Actuarial update –COVID 19 and funding risks Agreed the updated Investment Strategy Statement (rolled over from 17 March 20 cancelled meeting) Agreed the admission of Caterlink Ltd into the pension fund as an Admitted Body 	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
30 October 2020	<ul style="list-style-type: none"> Noted Pension Fund Performance Monitoring for the quarter ending 30 June 2020, received presentations from one of the Funds Infrastructure Manager (JP Morgan) Agreed the Pension Fund Annual Report for the year ending 31 March 2020. Noted and agreed further execution in the progression of investment strategy implementation. Considered and agreed the response to the LGPS Scheme consultation – amendments to statutory underpin as a result of the McCloud legal challenge. Agreed the admission of Harrison Catering into the pension fund as an Admitted Body 	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
12 November 2020	<ul style="list-style-type: none"> Noted the views of officers on the performance of the Fund’s Custodian for the period to September 2020. Noted the views of officers on the performance of the Fund’s Actuary for the period to September 2020. Noted the views of officers on the performance of the Fund’s Investment 	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn

PENSIONS COMMITTEE MEETINGS (VIRTUALLY) DURING 2020/21

ANNEX A

MONTH	TOPIC	ATTENDED BY
	Advisor for the period to September 2020. <ul style="list-style-type: none"> • Considered and agreed the Overpayment Write- off Policy. • Noted results of the Whistle Blowing Annual review 	Cllr Ron Ower Cllr Keith Darvill
12 January 2021	<ul style="list-style-type: none"> • Noted the Pension Fund Performance Monitoring for the quarter ending 30 September 2020, received presentations from the Fund’s Asset Pool (London CIV covering Multi Asset, UK Equities and Absolute Return sub funds and LCIV updates). • Noted the Local Pension Board Annual Report 2019/20. • Agreed the updated Funding Strategy Statement to address regulatory changes. • Noted the review of Fund Manager voting and engagement activity • Agreed the updated Risk Register 	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
16 March 2021	<ul style="list-style-type: none"> • Pension Fund Performance Monitoring for the quarter ending 31 December 2020, received presentation form the Funds Global Property Manager CBRE). • Noted and agreed further execution in the progression of investment strategy implementation. • Noted the mid valuation funding position of the Fund as at September 2020. • Agreed the admission of May Harris into the pension fund as an Admitted Body. • Agreed the admission of Olive Dining into the pension fund as an Admitted Body • Noted the additional costs for Pension Administration in 2020/21 and agreed the 2021/22 budget. • Considered and agreed the Administering and Employing authorities Discretions Policy. • Considered and agreed the Voluntary Scheme Pays Policy. 	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill

- Please note that three members constitute a quorum.
- Target dates for issuing agendas were met.

KEY REPORTING DATES / WORK PLAN 2021/22

ANNEX B

	20 JULY 2021	14 SEPTEMBER 2021	7 NOVEMBER 2021	7 DECEMBER 2021	15 MARCH 2022
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March 21: Churchill (Private Debt) ▪ Business Plan/Report on the work of the Pensions Committee 2020/21 ▪ Pension Fund Accounts 2020/21 ▪ Investment Strategy Update 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June 21 (Passive Equities) ▪ Pension Fund Annual Report for 2020/21 • GAD Section 13 results • Good Governance review - outcomes and implementation planning. 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Risk Register Review ▪ Communications Strategy 2021 - 2024 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September 21 Permira (Private Debt) ▪ Annual review of Fund Managers Voting & Engagement 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December 21: Royal London (Bonds). • TPR New Code of Practice • Climate Risk Governance/TCFD reporting
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

KEY REPORTING DATES / WORK PLAN 2022/23

ANNEX B (continued)

	JULY 2022	SEPTEMBER 2022	NOVEMBER 2022	DECEMBER 2022	MARCH 2023
Formal Committees with Members	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March 22 ▪ Russell (Currency) ▪ Business Plan/Report on the work of the Pensions Committee 2021/22 ▪ Pension Fund Accounts 2021/22 ▪ Climate Plan and ISS Update 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June 22: UBS (Property) ▪ Pension Fund Annual Report for 2021/22 ▪ Review Emerging Markets Equity Investing 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Risk Register Review ▪ Communications Policy 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September 22 ▪ Stafford (Infrastructure) 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December 22: Churchill (Private Debt) ▪ 2022 Valuation Results
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

Contents

LGPS Knowledge & Skills Training Strategy

- 1 Introduction
- 2 Meeting the business plan
- 3 Delivery of Training
- 4 On-going development
- 5 CIPFA Requirements
- 6 Guidance from the Scheme Advisory Board
- 7 Training records and certification
- 8 Risk
- 9 Budget

Introduction

This is the Training Strategy for the London Borough of Havering Pension Fund.

It sets out the strategy agreed by the Pension Committee and the Local Pension Board concerning the training and development of the members of the

- Pension Committee (the “Committee Members”);
- members of the local pension board (the “Board members”) and
- officers of the London Borough of Havering Pension Fund responsible for the management of the Fund (the “Officers”).

The Training Strategy is established to aid the Committee Members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision making responsibility put upon them. A code of practice and a framework of knowledge and skills has been developed by CIPFA which LGPS Funds are expected to sign up to.

The Public Service Pensions Act 2013 also requires London Borough of Havering Council to set up a Local Pension Board. The Act requires the Pensions Regulator to issue a code of practice relating to the requirements of the knowledge and understanding of Board members. Guidance on the knowledge and understanding of Local Pension Boards in the LGPS has also been issued by the Shadow Scheme Advisory Board in January 2015. Although this has not been designated as statutory guidance it should be held as good guidance and should be acknowledged.

The objective of the CIPFA knowledge and skills framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers to the Pension Committee whilst the guidance for local pension boards issued by the Shadow Scheme Advisory Board is to assist the individual Board members in undertaking their role to assist the Scheme Manager (the London Borough of Havering Pension Fund) in the effective governance and administration of the local government pension scheme.

The training desired to achieve the additional knowledge and skills will be contained in the appropriate training plan(s)

Strategy Objectives

The Fund objectives relating to knowledge and skills are to:

- Ensure the pension fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives –

The Committee Members require an understanding of:

- Their responsibilities as an administering authority of a local government pension fund;
- The fundamental requirements relating to pension fund investments;

- The operation and administration of the pension fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the London Borough of Havering Pension Fund.

Board members are conversant with–

- The Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund
- and have knowledge and understanding of:
 - The law relating to pensions; and
 - Such other matters as may be prescribed

To assist in achieving these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and Code of Practice to meet the skill set within that Framework. Attention will also be given to the guidance issued by the Shadow Scheme Advisory Board, the Pensions Regulator and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's 3-year business plan. For example, funding training will be given immediately preceding the Committee or Board meeting that discusses the Funding Strategy Statement.

Board members will receive induction training to cover the role of a local pension board and understand the duties and obligations of a LGPS administering authority, including funding and investment matters.

All those with decision making responsibility in relation to LGPS pension matters and Board members will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified; and
- seek to maintain their knowledge.

Application of the training strategy

This Training Strategy will apply to all Committee Members and representatives with a role on the Pension Committee and to all the Board members. Other officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

Purpose of training

The purpose of training is to:

- Equip people with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Provide individuals with integrity;
- Meet the required needs in relation to the Fund's objectives.

Summary

This training strategy:

- Assists in meeting the Fund's objectives;
- Meets the business plan;

- Will assist in achieving delivery of effective governance and management;
- Will equip those responsible with appropriate knowledge and skills;
- Promote ongoing development of the decision makers;
- Lead to demonstrating compliance with the CIPFA Knowledge and Skills Framework;
- Lead to demonstrating with statutory requirements and associated guidance

Meeting the business plan

Timely and relevant

There will be times in the year when different circumstances will require specific training. For example, funding training can be provided just prior to the Committee meeting that discusses the Funding Strategy Statement.

It is vital that training is relevant to any skills gap or business need and training should be delivered in a manner that fits with the business plan.

The training plan will therefore be regularly reviewed to ensure that training will be delivered where necessary to meet immediate needs to fill knowledge gaps.

Delivery of Training

Training resources

Consideration will be given to various training resources available in delivering training to the Committee Members, Board members or officers in order to achieve efficiencies. These may include but are not restricted to:

For Pension Committee and Local Pension Board Members	For Officers
<ul style="list-style-type: none"> • In-house* • Self-improvement and familiarisation with regulations and documents • The Pension Regulator's e-learning programme • Attending courses, seminars and external events • Internally developed training days and pre/post Committee/Board sessions* • Shared training with other Funds or Frameworks* • Regular updates from officers and/or advisers* • Circulated reading material 	<ul style="list-style-type: none"> • Desktop / work based training • Attending courses, seminars and external events • Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI) • Internally developed sessions • Shared training with other Funds or Frameworks • Circulated reading material

*These may be shared training events for Pension Committee and Local Pension Board members

Training Plans

To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

Training Plans will be developed at least on an annual basis, as per the Business Plan. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, Fund events (e.g the triennial valuation) and receipt of updated guidance.

Induction Training will be provided for all new officers with pensions responsibilities, members of the Pension Committee and Local Pension Board. This will involve covering the requirements of the Training Strategy alongside guidance and information on the requirements of their roles.

External Events

As information on events becomes available, members will be advised by email.

After attendance at an external event, Committee Members and Board members will be expected to provide verbal feedback at the following Pension Committee/Board meeting covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Board members.

Officers attending external events will be expected to report to their direct line manager with feedback covering the following points:

- Their view on value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other officers.

On-going development

Maintaining knowledge

In addition to undertaking on-going assessment in order to measure knowledge and skills against the CIPFA requirements and identify knowledge gaps, Officers, Committee Members and Board members are expected to maintain their knowledge of on-going developments and issues through attendance at external events and seminars.

Appropriate attendance at events for representatives of the Pension Committee and Board will be agreed by the appropriate chairman.

If an event occurs and appropriate, members will be advised by email.

The Committee/Board will approve an appropriate level of credits for attendance at an event in relation to the type of event, its content and relevance to knowledge maintenance.

In any event, attendance at events/seminars (which may include some internal training sessions) that are not direct training courses focussed on the CIPFA Knowledge Skills Framework or issued guidance but enhance and improve related on-going and emerging pension knowledge will count as one credit for each session of up to a half day.

Where the Committee/Board members have work related experience or previous knowledge through former membership of a Committee or Board will be able to count this as credits in their own assessment and score accordingly.

There is a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding and hence the training and continued development will span the duration of the role.

Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Pension Committee in the near future or is subject to review by the Local Pension Board. These will also count as credits in maintaining knowledge.

As a measure of training given or knowledge level officers, Committee Members and Board members are expected to have a minimum level of training credits. These are as follows -

Relevant Group	Knowledge Skills - level of attainment	The expected minimum level of credits over the 4 year term of office
Officers	Own sectional and personal development objectives	Own sectional and personal development objectives
Pension Committee and Local Pension Board Members	32 credits	8 credits

These will be measured and monitored annually by Pension Fund Accountant and reported in the Pension Fund Annual Report. Please see the appendix Knowledge and Skills – self assessment of training needs for basis of scoring.

CIPFA Requirements

CIPFA Knowledge & Skills Framework

In January 2010 CIPFA launched technical guidance for Elected Representatives on Pension Committees and non-executives in the public sector within a knowledge and skills framework. The Framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skill set for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS Funds.

CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

First published in October 2011 and redrafted in July 2013, CIPFA's Code of Practice embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Knowledge and Skills Code of Practice.

Guidance from the Scheme Advisory Board

General Principles

The Shadow Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's code of practice and published in January 2015 guidance in a local government context for administering authorities to support them in establishing their local pension board and this includes a section to enable it to help Board members to meet their knowledge and understanding obligations.

Knowledge and understanding must be considered in the light of the role of a Local Pension Board and the London Borough of Havering will make appropriate training available to assist and support Board members in undertaking their role.

Pension Committee Members

Although the CIPFA knowledge and skills framework complements the code of practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of a Pension Committee. However it will be seen as good practice and governance if members of a Pension Committee use the knowledge and skills requirements set at a similar benchmark as the Local Pension Board.

Degree of Knowledge and Understanding

The role of the Local Pension Board is to assist the administering authority. To fulfil this role, Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or codes of practice.

Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the London Borough of Havering Fund in enough detail to know where they are relevant and where it will apply.

Acquiring, Reviewing and Updating Knowledge and Understanding

Board members should commit sufficient time in their learning and development and be aware their responsibilities immediately they take up their position. London Borough of Havering will therefore provide induction training for all new Board members which will also be available to new Committee Members.

Flexibility

It is recognised that a rigid training plan can frustrate knowledge attainment when it is required for a particular purpose or there is a change in pension's law or new responsibilities are required of Board members. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

Training records and certification

Progress and achievement

Personalised training plans will be used to document and address any knowledge gaps and update areas of learning where required and assist in the acquisition of new areas of knowledge in the event of change.

Progress and achievement will be certificated at least on an annual basis individually to all Committee Members, Board members and officers. These will detail:

- The current assessment of an individual's acquired knowledge;
- Their progress against achieving the credits from other internal/external training or events; and
- All training courses and events attended by them to date.

Risk

Risk Management

The compliance and delivery of this training strategy is at risk in the event of –

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

Budget

Cost

A training budget will be agreed and costs will be met from the Pension Fund.

PENSIONS COMMITTEE MEMBER TRAINING (Election May 2018 – 31 March 2021)

ANNEX D

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
3 July 2018	Peter Worth – Understanding the role of the Pensions Committee	Town Hall	KSF 1	Paid for by OneSource – to be recharged to Havering	Cllr J Crowder (Chair) Cllr M Wallace (Vice-Chair) Cllr R Ramsey Cllr M Goode (also Chair Audit cttee) Cllr R Ower Cllr Mt Sutton (also Vice-Chair Audit cttee)
24 July 2018	Officer - New Councillor Induction • plus Hymans “A brief Guide to the LGPS’	Town Hall	ALL	Officer Time	Cllr R Morgon Cllr R Ower
24 July 2018	Officer - New Councillor Induction – distribution of slides only	Town Hall	ALL	Officer Time	Cllr M Sutton
24 July 2018	Officers - Pension Fund Accounts 17/18 Briefing covered: • Overview of the Pension Fund Accounts	Town Hall	KSF 2	Officer Time	Cllr J Crowder (chair) Cllr M Wallace (vice-chair) Cllr M Goode Cllr R Ower Cllr R Morgon Cllr J Sargent Cllr G O’Sullivan Cllr D Durant Cllr Viddy Persuad (part)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
20 August 2018	Hymans – Direct Corporate Lending, covered: <ul style="list-style-type: none"> • What is Direct corporate Lending • Why we are investing in this asset class • How to get exposure • bFinance - covered the manager selection process 	Town Hall – Prior to Special Pensions Committee meeting	KSF 3 KSF 5	Part of contract	Cllr J Crowder (chair) Cllr M Wallace (vice-chair) Andy Hampshire (GMB union- employee rep)
15 November 2018	SPS Conferences Local Authority - Pension Fund Investment Strategies: <ul style="list-style-type: none"> • Topical Issues • Income from Property & Infrastructure- planning for cash flow negativity • Management of Assets – improving cost transparency • • LGPS Perspectives -current issues 	Le Meridien Hotel, Picadilly, W1	KSF 5	Free	Cllr S Nunn
11 December 2018	Officer - New Councillor Induction	Library	ALL	Officer Time	Cllr D Durant
11 December 2018	Hymans-ESG :Introductory Training: <ul style="list-style-type: none"> • Introduction • Regulation • Application and Action • • Next steps: establishing a set of beliefs: 	Town Hall – Prior to Pensions Committee meeting	KSF 1 KSF 4 KSF 5	Part of contract	Cllr J Crowder (chair) Cllr M Wallace (vice-chair) Cllr R Ower Cllr S Nunn Cllr D Durant Cllr M Sutton (part)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
9 July 2019	Officer – New Councillor Induction	Town Hall	ALL	Officer time	Cllr J Frost
11 July 2019	Officer – New Councillor Induction	Town All	ALL	Officer time	Cllr K Darvill
11 July 2019	Hymans - Managing Currency Risk	Town Hall	KSF 3 KSF 4 KSF 5	Hymans Fee	Cllr M Goode Cllr S Nunn Cllr R Ower Cllr J Frost Cllr J Crowder
18 July 2019	Officers - Pension Fund Accounts 18/19 Briefing covered: Overview of the Pension Fund Accounts	Town Hall	KSF 2	Officer Time	Cllr M Goode Cllr R Ower Cllr O Dervish Cllr V Persaud (Audit)
23 July 2019	Hymans - Managing Currency Risk – training slides distributed for non-attendees on 11 July 2019		KSF 4 KSF 5	Officer Time	Slides Distributed to Cllr K Darvill Cllr O Dervish Andy Hampshire (GMB rep)
23 July 2019	Officer – New Councillor Induction	Town Hall – EF14	All	Officer Time	Cllr O Dervish
16 September 2019	Officer –Induction training	LBH Offices	ALL	Officer time	Derek Scott (UNISON Rep)
17 September 2019	Hymans – Multi Asset Credit: <ul style="list-style-type: none"> • Debt markets overview • What is Multi Asset Credit (MAC) • Absolute Return Bonds (ARB) 	Town Hall - As part of the Pensions committee meeting	KSF 3 KSF 4 KSF 5	Hymans Fees	Cllr J Crowder Cllr M Goode Cllr O Dervish Cllr J Frost Cllr R Ower Cllr K Darvill

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
	<ul style="list-style-type: none"> • Current Yields • Comparison of MAC vs ARB 				
24 October 2019	Officer – New Councillor (sub) Induction	LBH Offices	ALL	Officer Time	Cllr L Van den Hende
12 November 2019	A Guide to the LGPS –sent via email	LBH Offices	ALL	Officer Time	Cllr J Crowder Cllr M Goode Cllr O Dervish Cllr J Frost Cllr R Ower Cllr S Nunn Cllr K Darvill 2 nominated substitutes: Cllr R Morgan Cllr L Van den Hende
13 November 2019	CIPFA – Annual Pensions Conference	The London Stock Exchange	ALL	Free Place	Cllr J Crowder
10 December 2019	Hymans Valuation 2019 training presentation	LBH Offices	KSF 6	Hymans Fee	Cllr J Crowder Cllr D O’Flynn (sub) Cllr S Nunn Cllr K Darvill
1 October 2020	Hymans - Introduction to Multi Factor Investment: <ul style="list-style-type: none"> • Importance of considering Multi Factor exposure • Benefits of Multi Factor diversification 	As part of the Pensions committee meeting	KSF 4 KSF 5	Hymans Fee	Cllr J Crowder Cllr S Nunn Cllr M Goode Cllr K Darvill Cllr P Crowder (sub for Cllr Dervish) Cllr J Frost

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
26 November 2020	Hymans/LGIM – Multi Factor Investing <ul style="list-style-type: none"> • What is multi factor investing • Different factors explained • LGIM Future World offering – explanation of portfolio • Blended factors vs market cap • How the climate tilt is applied 	As part of the Pensions committee meeting	KSF 4 KSF 5	Free	Cllr John Crowder Cllr Jason Frost Cllr R Ower Cllr M Goode
26 January 2021	LGA LGPS Update <ul style="list-style-type: none"> • COVID resilience • Good governance • Responsible investment reporting 	Webinar	KSF1 KSF4 KSF5	Free	Cllr Keith Darvill Cllr Ron Ower Derek Scott (UNISON Rep)
26 January 2021	Hymans briefing report circulated to all members: <ul style="list-style-type: none"> • Tackling Climate Change and related financial risks • TCFD framework awareness 	Sent via Email from The Pensions Manager 21.01.21	KSF1 KSF5	Hymans Fee	Cllr John Crowder Cllr Jason Frost Cllr Ron Ower Cllr M Goode Cllr S Nunn Cllr O Dervish Derek Scott Andrew Hampshire
04 February 2021	LAPF Strategic Investment Forum	Webinar	KSF1 KSF3 KSF4 KSF5	Free	Cllr S Nunn