



# Havering

L O N D O N   B O R O U G H

## **HAVERING PENSION FUND**

**BUSINESS PLAN/REPORT ON THE WORK  
OF THE  
PENSIONS COMMITTEE  
DURING  
2016/17**

## 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 1<sup>st</sup> April 2016 to 31 March 2017 and outlines:

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

The financial position of the Havering Pension Fund for 2015/16 is featured as part of 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 Council 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 39 employers, of which the London Borough of Havering is the largest. The other employers in the fund are made up of 31 Scheduled bodies (Academies and Further Education bodies) and 7 Admitted bodies (outsourced contracts).

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

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2016/17 based on data as at 31 March 2016. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates. 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 valuation prior to this date was undertaken at 31 March 2013 and a comparison of funding levels can be seen below:

### Summary

Valuation date	31 March 2013	31 March 2016
Total Liabilities	£752m	£857m
Market Value of Assets	£461m	£573m
Surplus/(deficit)	(£291m)	(£284m)
Funding Level	<b>61.2%</b>	<b>67.0%</b>

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the period. The liabilities have also increased due to a reduction in future expected investment returns, although this has been partially been offset by lower than expected pay and benefit growth.

The Fund has seven fund managers (who have specific mandates) and performance is monitored against an agreed benchmark.

The Fund has adopted a strategic benchmark for the whole of the fund of Gilts (All Stocks Index Linked Gilts) + 1.8%. The main factor in meeting the strategic benchmark is market performance.

**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. The current shortfall is driven by the historically low level of real interest rates which drive up the value of index linked gilts (and consequently the level of the fund liabilities).

**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.

Havering Pension Fund uses the services of State Street Global Services Performance Services PLC (formerly known as WM Company) to provide comparative statistics on the performance of this Fund for its quarterly monitoring.

Annual performance and comparisons to the Local Authority universe is provided by the Pensions & Investment Research Consultants Limited (PIRC).

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

In 2016/17, the overall return on the Fund's investments was **17.1%** (2015/16 -1.2%). This represented an outperformance of **4.0%** against the tactical benchmark (2015/16 under performance of -2.8%) and an under performance of **-3.7%** against the strategic benchmark (2015/16 under performance of -7.7%).

Following the results of the 2016 Valuation and in line with regulations the Committee developed a new Investment Strategy Statement (ISS) which replaced the Statement of Investment Principles (SIP). During the last quarter of 2016/17 some fund rebalancing and short term changes as set out in the ISS was undertaken to bring the asset allocation closer to their benchmark.

The revised asset allocation targets are shown for comparisons against the SIP's target in the following table and reflect the asset allocation split and targets against their individual fund manager benchmarks:

Asset Class	Target Asset Allocation (SIP Nov 15)	Target Asset Allocation (ISS Jan 17)	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
UK/Global Equity	12.5%	15.0%	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	6.25%	7.5%	State Street Global Asset	Pooled	Passive	FTSE All World Equity Index
	6.25%	7.5%	State Street Global Asset	Pooled	Passive	FTSE RAFI All World 3000 Index
Multi Asset Strategy	15%	12.5%	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Capital growth at lower risk than equity markets
	20%	15.0%	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3 - 5%
	15%	15%	LCIV Ruffer	Pooled	Active	Absolute Return
Property	5%	6%	UBS	Pooled	Active	IPD All balanced (property) Fund's median +
Gilt/Investment Bonds	17%	19%	Royal London	Segregated	Active	<ul style="list-style-type: none"> <li>• 50% iBoxx £ non- Gilt over 10 years</li> <li>• 16.7% FTSE Actuaries UK gilt over 15 years</li> <li>• 33.3% FTSE Actuaries Index- linked over 5 years. Plus 1.25%*</li> </ul>
Infrastructure	3%	2.5%	State Street Global Assets – Sterling liquidity Fund			Invested in cash up until Feb 17 pending identification of an infrastructure project.

\*0.75% prior to 1 November 2015

During the year our mandate with Baillie Gifford (Global Alpha Fund) and the Ruffer Absolute Return Fund was transferred to the London CIV (Collective Investment Vehicle). The total value of assets with the LCIV is now £292m which represents 44% of assets under management. UBS, SSgA, Ruffer, GMO and Baillie Gifford manage the assets on a pooled basis. Royal London manages the assets on a segregated basis.

The Fund will have ongoing discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with the Department of Communities and Local Government (DCLG) timelines.

Fund Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for an informal monitoring meeting. The exception to this procedure are the pooled Managers (SSgA, UBS, Baillie Gifford and GMO) and Ruffer who will attend two meetings per year, one with Officers and one with the Pensions Committee. However, if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements will be made for additional presentations.

The (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 has been asked to consider reviewing the current reporting arrangements and if agreed will be implemented during 2017/18.

## FUND GOVERNANCE STRUCTURE

Day to day management of the Fund is delegated to the Statutory Section 151 Officer (7 November 2016) and the Chief Executive prior to the appointment of the interim section 151 officer. Investment strategy and performance monitoring of the Fund is a matter for the Pensions Committee which obtains and considers advice from the authority's 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) 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 therefore the members of the Pensions Committee are as follows:

Cllr John Crowder (Chair) – Conservative Group  
 Cllr David Johnson (Vice Chair) – UKIP  
 Cllr Melvin Wallace - Conservative Group  
 Cllr Jason Frost – Conservative Group  
 Cllr Nic Dodin – Residents' Group  
 Cllr Stephanie Nunn – Residents' Group  
 Cllr Clarence Barrett – East Havering Residents' Group  
 Union Members (Non-voting) - John Giles (Unison), Andy Hampshire (GMB)  
 Admitted/Scheduled Body Representative (voting) – Heather Foster-Byron – Employer Representative (until 31 March 2017)

From May 2016 Cllr Nic Dodin replaced Cllr Ray Morgon - Residents Group and Cllr Jason Frost replaced Cllr Roger Westwood – Conservative Group

Fund Administrator	London Borough of Havering
Actuary	Hymans Robertson
Auditors	Ernst and Young LLP
Performance Measurement	State Street Global Services – Performance Services PLC (formerly WM Company)

Custodians	State Street Global Services
Investment Managers	<p>Royal London Asset Management (Investment Bonds)</p> <p>UBS (Property)</p> <p>Ruffer LLP (Multi Asset) (transferred to London CIV 21 June 2016)</p> <p>State Street (Passive UK/Global Equities)</p> <p>Baillie Gifford (Global Equities) (transferred to London CIV 15 February 2016)</p> <p>Baillie Gifford Diversified Growth Fund (Multi Asset) (transferred to London CIV 11 April 2016)</p> <p>GMO Global Real Return (UCITS) from January 2015</p> <p>London CIV Baillie Gifford Diversified Growth Fund (from 15 February 2015)</p> <p>London CIV Baillie Gifford Global Alpha (from 11 April 2016)</p> <p>London CIV RF Absolute Return (from 21 June 2016)</p>
Investment Advisers	Hymans Robertson LLP
Legal Advisers	London Borough of Havering Legal Services provide legal advice as necessary (specialist advice is procured as necessary)
Chief Executive	Andrew Blake-Herbert
Section 151 Officer	Debbie Middleton (from 7 November 2016)
Pension Fund Accountant	Debbie Ford
Pensions Administration Management	Sarah Bryant Director of Exchequer & Transactional Services

**PENSION COMMITTEE MEETINGS 2016/17**

The Committee met a number of times during 2016/17 and **Annex A** sets out the coverage of matters considered, but the key issues that arose in the period are shown below:

**Key issues arising in the period**

- **Annual Report**

The Pension Fund Annual Report 31 March 2016 was produced in line with the LGPS (Administration) regulations and agreed.

- **Funding Strategy Statement**

Agreed the Funding Strategy Statement

- **Investment Strategy Statement**

The first Investment Strategy Statement was agreed in line with the LGPS (Management and Investment of Funds) Regulations 2016.

- **2016 Draft Actuarial Valuation Report**

Noted

- **Business Plan**

The Pension Fund Business Plan for 2016/17 was agreed incorporating the work of the pension committee members.

- **Reviewed Fund Managers quarterly performance**

- **Fund Manager voting and Engagement Activity**

Noted the review of fund manager voting and engagement and agreed to receive this report annually.

- **Reviewed performance of the Pension Fund's Custodians, Investment Advisor and Actuary.**

- **LGPS Havering Employing Authority and Administering Discretions**

Noted the discretions policies

- **Collective Investment Vehicle (CIV)**

The Committee received updates on the progress of transitioning assets to the London CIV.



**PENSION COMMITTEE MEETINGS 2017/18 AND ONWARDS**

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

- Admissions Policy
- TUPE Manual
- London CIV Pooling progression /updates with Continued transfer of assets to the London CIV
- DCLG Investment Regulation changes as applicable
- Continued training and development
- Topical issues discussed as appropriate
- MiFIDII implications
- Finalisation and execution of the investment strategy
- Local Authority Pension fund Forum (LAPFF) and Pensions and Lifetime Savings Associations (PLSA) membership consideration.

## INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the Adminstrating Authority's Finance and Administration services (oneSource) and the associated costs are therefore reimbursed to the Adminstrating 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. Estimates for the medium term on Administration and Investment Management expenses follow in this report.

The Pensions Administration service consists of an establishment of 9.1 full time equivalent posts.

The 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.

	2015/16 Actual £000's	2016/17 Estimate £000's	2016/17 Actual £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's
Administration & Processing	429	430	496	496	496	496
Other Fees	6	6	7	7	7	7
Other Costs	77	80	59	72	72	72
<b>TOTAL</b>	<b>512</b>	<b>516</b>	<b>562</b>	<b>575</b>	<b>575</b>	<b>575</b>

Estimates for 2017/18 onwards may be subject to change due to an impending service review of Pensions Administration.

### Investment Management expenses

These costs will include any expenses incurred in relation to the management of fund assets.

	2015/16 Actual £000's	2016/17 Estimate £000's	2016/17 Actual £000s	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's
Fund Manager Fees	2,743	2,700	2,958	2,958	2,958	2,958
Custodian Fees	40	40	34	34	40	40
Performance Measurement services	13	13	11	11	13	13
<b>TOTAL</b>	<b>2,796</b>	<b>2,753</b>	<b>3,003</b>	<b>3,003</b>	<b>3,011</b>	<b>3,011</b>

**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.

	<b>2015/16 Actual</b>	<b>2016/17 Estimate £000's</b>	<b>2016/17 Actual £000's</b>	<b>2017/18 Estimate £000's</b>	<b>2018/19 Estimate £000's</b>	<b>2019/20 Estimate £000's</b>
Financial Services	142	142	142	142	142	142
Actuarial Fees	35	50	83	50	50	50
Audit Fees	21	21	24	21	21	21
Member training (inc. LPB)	0	10	5	10	10	10
Advisor Fees	50	50	42	50	50	50
CIV/SAB Levy	76	30	25	103	91	76
Local Pension Board	11	15	3	5	5	5
Pensions Committee	20	20	36	36	36	36
<b>TOTAL</b>	<b>355</b>	<b>338</b>	<b>360</b>	<b>417</b>	<b>405</b>	<b>390</b>

<b>OVERALL TOTAL</b>	<b>3,663</b>	<b>3,607</b>	<b>3,925</b>	<b>3,995</b>	<b>3,991</b>	<b>3,976</b>
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Please note the following regarding the figures in the above tables

- Ignores inflation
- Management and custody fees are charged according to the fund value; therefore an average figure has been applied for 2017/18 onwards.
- Based on 2016/17 fund and staffing structures.
- Local Pension Board budget has been reduced to show the training costs separately as this will be shared with the Committee.
- Fund Management fees takes no account of fee savings that are expected from joining the London CIV.
- Takes no account of a potential new service delivery for pensions administration

## TRAINING AND DEVELOPMENT STRATEGY

The Local Pension Board (LPB) was established by the London Borough of Havering on 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 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 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.

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.

## 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 2017/18 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 uses 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 Pension Fund Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

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

Training and development took place during 2016/17 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**.

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 HELD DURING 2016/17****ANNEX A**

<b>MONTH</b>	<b>TOPIC</b>	<b>ATTENDED BY</b>
<b>14 June 2016</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 31 March 2016, received presentations from Multi Asset managers GMO (Global Real Return)</li> <li>Noted the Business Plan/Annual report on the work of the Pensions Committee during 2015/16.</li> <li>Noted Pension Fund Audit Plan 2015/16</li> <li>Agreed the Business Plan/Annual Report on the work of the Pensions Committee 2015/16</li> <li>Noted LGPS: Havering Employing Authority Discretions and Administering Authority Discretions</li> <li>AOB: discussed the response to DCLG on pooling</li> </ul>	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Steven Kelly (sub for Cllr Wallace) Cllr Jason Frost Cllr Nic Dodin Cllr Clarence Barrett Cllr Stephanie Nunn John Giles (UNISON) Heather Foster-Byron (employer representative)
<b>20 September 2016</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 30 June 2016, received presentations from Royal London (Bonds Manager) and Ruffer (Multi Asset Manager).</li> <li>Noted Pension Fund Accounts for the year ending 31 March 2016.</li> <li>Agreed the Pension Fund Annual Report for the year ending 31 March 2016.</li> <li>Noted the review of fund manager voting and engagement activity</li> <li>Noted results of the GAD section 13 'dry run' report</li> </ul>	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Melvin Wallace Cllr Dilip Patel (sub for Cllr Jason Frost) Cllr John Mylod (sub for Cllr Stephanie Nunn) Cllr Clarence Barrett Cllr Nic Dodin John Giles (UNISON)
<b>22 November 2016</b>	<ul style="list-style-type: none"> <li>Noted the views of officers on the performance of the Fund's Actuary for the period to September 2016.</li> <li>Noted the views of officers on the performance of the Fund's Custodian for the period to September 2016.</li> <li>Noted the views of officers on the performance of the Fund's Investment Advisor for the period to September 2016 and agreed contract extension for the Fund's Investment Advisor contract for one year.</li> <li>Noted the results of the Whistle Blowing Annual review and that no breaches had been reported</li> <li>Considered and agreed changes as necessary to the Governance Compliance Statement.</li> </ul>	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Jason Frost Cllr Clarence Barrett Cllr Stephanie Nunn Cllr Nic Dodin Andy Hampshire (GMB union Rep)
<b>13 December</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 30</li> </ul>	Cllr John Crowder (chair)

PENSIONS COMMITTEE MEETINGS HELD DURING 2016/17		ANNEX A
MONTH	TOPIC	ATTENDED BY
<b>2016</b>	<p>September 2016, received presentations from State Street Global Assets (UK/Global Passive Manager, GMO Global Real Return (Multi Asset Manager) and the Fund's pooling operator London CIV.</p> <ul style="list-style-type: none"> <li>Considered changed to the investment strategy but deferred decisions for another meeting.</li> </ul>	<p>Cllr David Johnson (vice chair)  Cllr Melvin Wallace  Cllr Clarence Barrett  Cllr Stephanie Nunn  Cllr Nic Dodin  John Giles (UNISON)</p>
<b>23 January 2017 (Special meeting)</b>	<ul style="list-style-type: none"> <li>Agreed some changes to the investment strategy and rebalancing proposals</li> </ul>	<p>Cllr John Crowder (chair)  Cllr David Johnson (vice chair)  Cllr Clarence Barrett  Cllr Stephanie Nunn  Cllr John Mylod (sub for Cllr Nic Dodin)  John Giles (UNISON)</p>
<b>14 March 2017</b>	<ul style="list-style-type: none"> <li>Pension Fund Performance Monitoring for the quarter ending 31 December 2016, received presentation from Royal London (Bonds Manager), UBS (Property Manager).</li> <li>Noted Pension Fund Audit Plan 2016/17</li> <li>Noted the Local Pension Board Annual Report for 2015/16</li> <li>Verbal update on LCIV funding and Governance.</li> </ul>	<p>Cllr David Johnson (chair for the meeting)  Cllr Robby Misir (sub for Cllr Crowder)  Cllr Melvin Wallace  Cllr Jason Frost  Cllr Ron Ower (Sub for Cllr Clarence Barrett)  Cllr Stephanie Nunn  Cllr Nic Dodin  John Giles (UNISON)  Andy Hampshire (GMB)</p>
<b>28 March 2017</b>	<ul style="list-style-type: none"> <li>Agreed Funding Strategy Statement</li> <li>Agreed Investment Strategy Statement</li> <li>Noted the Draft 2016 Actuarial Valuation Report</li> </ul>	<p>Cllr John Crowder (chair)  Cllr David Johnson (vice chair)  Cllr Melvin Wallace  Cllr Dilip Patel (sub for Cllr Jason Frost)  Cllr Ray Morgon (sub for Cllr Stephanie Nunn)  Cllr Nic Dodin  Cllr Clarence Barrett</p>

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

INDICATIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE 2017/18					
ANNEX B					
	15 JUNE 2017	19 SEPTEMBER 2017	21 NOVEMBER 2017	12 DECEMBER 2017	13 MARCH 2018
<b>Formal Committees with Members</b>	<ul style="list-style-type: none"> <li>Overall Monitoring Report on Pension Fund to end of March:               <ul style="list-style-type: none"> <li>a) GMO (Multi Asset)</li> </ul> </li> <li>Business plan/ Annual report on the work of the committee</li> <li>Investment strategy Review</li> </ul>	<ul style="list-style-type: none"> <li>Overall Monitoring Report on Pension Fund to end of June:               <ul style="list-style-type: none"> <li>Ruffer (Multi Asset Absolute Return)</li> </ul> </li> <li>London CIV (pooling manager)</li> <li>Pension Fund Accounts 16/17</li> <li>Pension Fund Annual Report</li> <li>Stewardship/ LAPFF /PLSA membership</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of Custodian</li> <li>Annual review of Adviser</li> <li>Annual review of Actuary</li> <li>Annual review of Fund Managers voting &amp; Engagement</li> <li>Review of Governance Policy</li> <li>Whistleblowing Annual Assessment</li> <li>Risk Register Review</li> </ul>	<ul style="list-style-type: none"> <li>Overall Monitoring Report on Pension Fund to end of September:               <ul style="list-style-type: none"> <li>a) (Passive Global Equity)</li> <li>b) Royal London (Bonds)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Overall Monitoring Report on Pension Fund to end of December:               <ul style="list-style-type: none"> <li>a) UBS (Property)</li> </ul> </li> </ul>
<b>Officer Meeting</b>	Meeting: 11 May 17 <ul style="list-style-type: none"> <li>Royal London (Bonds)</li> <li>SSGA (Passive Equity Manager)</li> </ul>	Meeting: 16 Aug 17 <ul style="list-style-type: none"> <li>UBS (Property)</li> <li>WM presentation</li> </ul> Advisor Review Custodian Review	No officer meeting	Meeting: 8 Nov 17 <ul style="list-style-type: none"> <li>GMO (Multi Asset Manager)</li> </ul>	Meeting: 08 Feb 17 <ul style="list-style-type: none"> <li>Ruffer (Multi Asset Absolute Return)</li> <li>London CIV (pooling manager)</li> <li>Royal London (Bonds)</li> </ul>
<b>Training</b>	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"> <li>• In-house*</li> <li>• Self-improvement and familiarisation with regulations and documents</li> <li>• The Pension Regulator's e-learning programme</li> <li>• Attending courses, seminars and external events</li> <li>• Internally developed training days and pre/post Committee/Board sessions*</li> <li>• Shared training with other Funds or Frameworks*</li> <li>• Regular updates from officers and/or advisers*</li> <li>• Circulated reading material</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop / work based training</li> <li>• Attending courses, seminars and external events</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)</li> <li>• Internally developed sessions</li> <li>• Shared training with other Funds or Frameworks</li> <li>• Circulated reading material</li> </ul>

\*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 2016/17

## ANNEX D

DATE	TOPIC COVERED	LOCATION	K S F	C O S T	ATTEN DED BY
20 September 2016	Officers – Pension Fund Accounts briefing covered: Overview of the pension fund accounts	Town Hall – prior to Committee meeting	KSF 2	Officer time	Cllr Crowder (chair) Cllr David Johnson (vice chair) Cllr Barrett Cllr Wallace Cllr Dodin John Giles (UNISON)
28 September 2016	DG Publishing “ Question Time” – Asset Pooling Demystified	Royal Society of Medicine, 1 Wimpole Street	KSF 1	Free	Cllr Nunn
13 December 2016	Hymans - Joint training with Pensions Board - Valuation 2016 Results covered: <ul style="list-style-type: none"> <li>• 2016 Valuation framework</li> <li>• Valuing liabilities</li> <li>• Actuarial assumptions</li> <li>• 2016 results</li> <li>• What changed since 2013</li> </ul>	Town Hall	KSF 6	£2,000	Cllr Crowder (Chair) Cllr Dodin Cllr Johnson Cllr Nunn

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
23 January 2017	Hymans - Joint Training with Pensions Board – Investment Strategy Training covered; <ul style="list-style-type: none"> <li>• New investment Regulation 2016</li> <li>• Overview of ISS/DCLG Guidance</li> <li>• What changed between SIP/ISS</li> <li>• Asset allocation rebalancing</li> <li>• Investment strategy evolution</li> <li>• Investment objectives</li> <li>• Overview of UK Stewardship code</li> <li>• Credit Strategies</li> </ul>	Town Hall	KSF 5	£2,100	Cllr Crowder (Chair) Cllr Johnson Cllr Barrett Cllr Nunn John Giles (UNISON)
1 March 2017	LCIV Annual conference including fund manager sessions	Crutched Friars, London	KSF 4	No fee	Cllr Barrett Cllr Johnson Mark Holder Cllr Nunn

