



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

25 July 2023

Subject Heading:

**2023/24-2025/26 BUSINESS
PLAN/ANNUAL REPORT ON THE
WORK OF THE PENSIONS
COMMITTEE 2022/23**

SLT Lead:

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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 2022/23 and the plan of work for the forthcoming three years, attached as **Appendix A**. This will form the basis of a rolling Pension Fund Business Plan 2023/24 – 2025/26.

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

RECOMMENDATIONS

That the Committee:

- 1) Note the report on the work of the committee for 2022/23 and the updated three year rolling 2023/24 - 2025/26 Business Plan (Appendix A refers)
- 2) Consider any additions to the work plan for the Committee for 2023/24 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.
- 1.4 In line with the Council's Constitution – Part 4 Rules of Procedure Ordinary meetings of the Council will receive reports for the previous year activity from the Chair of the Pensions Committee; this meeting is scheduled for the 12 July 2023.
- 1.5 In order to meet the Councils democratic report clearance deadlines for the Full Council meeting on the 12 July 2023, the Business Plan/Report of the work of the Committee was agreed by the Chair of this Committee in advance of this Committee meeting. The Committee is therefore

recommended to note the report on the work of the committee for 2022/23 and that it will be referred to the Full Council meeting for consideration.

1.5 The Business Plan, compiled in line with CIPFA guidance “Principles for Investment Decision Making & Disclosure in the LGPS” 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.

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.

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- 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, was developed and previously agreed by the Pensions Committee on the 24 November 2015 and the LPB on the 6 January 2016. The current policy requires updating in order to incorporate guidance following the Good Governance review and the conclusion of The Pensions Regulator (TPR) New Code of Practice. Once guidance has been published a report will be presented to the Pensions Committee and a new training strategy will then be developed.
- 2.5 The Training Strategy will formally set out the arrangements the Pension Fund will take in order to comply with the principles of the CIPFA's Knowledge and Skills Code of Practice.
- 2.6 During 2022/23 the Pension Fund subscribed to the LGPS Online Learning Academy (LOLA) v1 launched by our Actuaries (Hymans) – this is an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and The Pension Regulator's current Code of Practice 14. LOLA v1 has been upgraded and the fund will adopt version 2 during 2023/24 to ensure that members continuous knowledge and development.
- 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 but require continuous updating.

3. Work Plan for 2023/24 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) Continued development of Climate Risk Policy – setting objectives, approach, implementation and monitoring/ reporting
 - b) Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance
 - c) Implementation of the interim and long-term Investment strategy
 - d) Consider Local investment (ongoing considerations at present)
 - e) Potential consideration of Private Equity investment (consider alongside local investment)

- f) London CIV Pooling progression/Continued consideration of transfer of assets to the London CIV (particularly Multi Asset Credit, Index linked assets)
- g) Equity portfolio review – including review of emerging market allocation and reflecting net-zero related commitments
- h) Climate related engagement
- i) Annual Governance review of London CIV
- j) Consideration of reallocating into Private Debt/Infrastructure close ended funds
- k) Planning for Hymans/SAB Good Governance guidance compliance - once guidance is issued
- l) Planning for TPR New Code of practice compliance once issued
- m) New training policy to reflect Good Governance and TPR compliance
- n) Administration issues i.e. ongoing work associated with the McCloud ruling – readiness for Pensions Dashboard
- o) New Employer admissions
- p) Covenant Risk Review
- q) SAB developments
- r) Consideration of LGPS Regulation changes and consequential policy, as applicable
- s) Topical issues discussed as appropriate
- t) Continued training and development
- u) Consideration of LGPS Regulation changes and consequential policy, as applicable
- v) Topical issues discussed as appropriate
- w) Potential member inductions for new Pension Committee members
- x) 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:

The costs of providing the administrative and financial support and associated costs are reimbursed to the Administrating Authority by the Fund.

There is a considerable risk of poor decision making if Members of the Committee are not adequately trained and it is therefore essential that resources are made available to fulfil appropriate training requirements. Training costs are met from the Pension Fund directly or via the Advisor Fee.

Legal implications and risks:

The Councils constitution provides at Part 4.5 para 2(h) that the meeting of full Council shall:

- (h) receive reports for the previous year from the Chairmen of the Overview and Scrutiny Committees, the Audit Committee and the Pensions Committee;
- (i) except in the year when there are Borough Elections, at the first ordinary meeting in the Municipal Year; and
- (ii) in the year when there are Borough Elections, at the last ordinary meeting before those elections;

The Report at Appendix A is therefore the proposed version to be presented to Council.

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

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

BACKGROUND PAPERS

None