



## PENSIONS COMMITTEE

25 JUNE 2024

**Subject Heading:**

**2024/25-2026/27 BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2023/24**

**SLT Lead:**

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**Policy context:**

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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 2023/24 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 for the three years covering 2024/25 – 2026/27.

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 2023/24
- 2) Agree the Business Plan for the three year rolling period 2024/25 - 2026/27 Business Plan (Appendix A refers)
- 3) Consider any additions to the work plan for the Committee for 2024/25 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 September 2023.
- 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's Pension Committee activity from the Chair; this meeting is scheduled for the 10 July 2024 and the Business Plan (Appendix A), which includes the work of the committee for 2023/24, 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 No.14 (April 2015) and its replacement, the new single Code of Practice came into force on 28 March 2024 includes a requirement for members of the Pension Committee (PC)/Local Pension 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, 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 Pensions Regulator (TPR) new (single) Code of Practice. As the TPR code of practise has now been issued, officers will

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review compliance against the new code and commence with a Training Strategy review during 2024/25.

- 2.5 The Training Strategy will also 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 The Fund also subscribes to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans). There were issuances of learning modules under version 1 (v1) and version 2 (v2). This is an online platform designed to support the training needs of the Pension Committee, Local Pension Board and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and TPR's Code of Practices. Each module contains short 'videos on demand' presentations of 20 minutes or less with supplemental learning materials and quizzes.
- 2.7 Pension Committee members were requested to complete LOLA v1 modules to meet the Council's constitution, committee procedure rules. Officers report progress against these modules as part of its quarterly monitoring report.
- 2.8 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 2024/25 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 and will be added to the meeting cycle as appropriate:
  - a) Continued development/monitoring of Climate Risk Policy
  - b) Develop and implement approach for climate related engagement
  - c) Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance/gap analysis (subject to regulatory publications)
  - d) Implementation of the interim and long-term Investment
  - e) Consider Local investment & Levelling Up agenda (ongoing considerations at present)
  - f) Potential consideration of Private Equity investment (consider alongside local investment)

- g) London CIV Pooling progression/Continued consideration of transfer of assets to the London CIV (particularly Multi Asset Credit, Index linked assets)
- h) Equity portfolio review – including review of emerging market allocation and reflecting net-zero related commitments
- i) Review of RLAM mandate & Index linked gilts objectives
- j) Consideration of reallocating into Private Debt/Infrastructure close ended funds
- k) Governance review of London CIV
- l) Planning for SAB Good Governance guidance compliance - once guidance is issued
- m) TPR New Code of Practice compliance check – develop action plan
- n) New training policy to reflect Good Governance and TPR compliance
- o) Risk Register –independent oversight of scoring
- p) Cost transparency analysis
- q) New contract – Actuary (current contract expires 15 July 2025)
- r) New contract – Investment Advisor (current contract expires 31 March 2026)
- s) New contract – Custodial Services (current contract expires 30 September 2026)
- t) Administration issues i.e. ongoing work associated with the McCloud ruling – readiness for Pensions Dashboard
- u) New Employer admissions
- v) Covenant Risk Review
- w) SAB developments
- x) Consideration of LGPS Regulation changes and consequential policy, as applicable
- y) Topical issues discussed as appropriate
- z) Continued training and development (include training programme following Local Elections May 2026)

3.2 The above list is not exhaustive nor set in stone 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.

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

**BACKGROUND PAPERS**

None