

Non-Executive Report of the: PENSIONS COMMITTEE 24 July 2018	
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
Pension Fund Business Plan and Pensions Committee Work Plan for 2018/19	

Originating Officer(s)	Bola Tobun, Investment and Treasury Manager
Wards affected	All

Summary

The purpose of this report is to set out a business plan for the Pension Fund that outlines the Fund's goals and objectives in delivering the Council's statutory function as the administering authority of the London Borough of Tower Hamlets Pension Fund.

This report was considered and agreed at the last Committee meeting in March 2018; the recommendations were noted and approved. It is being presented for information at this meeting as the majority of this municipal year Committee members are new and officers wants you to be aware of this information for noting, amendments and approval as you deemed fit.

Recommendations:

Members are asked to:

- note the Business Plan attached as Appendix 1 to this report and
- approve work plan for 2018/19 attached as Appendix 2.

1. REASONS FOR THE DECISIONS

- 1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other scheduled bodies as defined in the Regulations. The Regulations also empower the Fund to admit employees of other defined (e.g. other public bodies, housing corporations) bodies into the Fund.
- 1.2 The proposed business plan for the Fund has been put together to assist in the management of the Fund and to ensure that the Council is able to perform its role as the administering authority in a structured way. The Business Plan is not intended to cover all aspects of Pension Fund administration; rather it is designed to assist with meeting part of its delegated function as administering authority to the Fund.
- 1.3 The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund. Therefore it is appropriate that the Committee formally adopts a work plan to assist with the discharge of its duties.

2. ALTERNATIVE OPTIONS

- 2.1 The development and implementation of a work plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. However, the Committee is under no obligation to adopt a work plan in carrying out its duties.

3. OVERVIEW OF THE WORK OF THE COMMITTEE

- 3.1 The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.
- 3.2 The key decision making for, and management of, the Fund has been delegated by the London Borough of Tower Hamlets (the Council) to a formal Pensions Committee, supported by officers of the Council and advisers to the Pension Fund. The Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Fund matters. A local pension board is in place to assist with:
 - securing compliance of Fund matters and
 - ensuring the efficient and effective governance and administration of the Fund.
- 3.3 It is appropriate that the Committee should set out how it intends to fulfil its obligations as the delegated authority appointed by the Council to be responsible for the Fund. Adopting a planned approach should make monitoring easier for the Committee and ensure that activities critical to the effective management of the Fund are being undertaken.
- 3.4 **The primary objectives** of the Fund are sub-divided into specific areas of ***governance, funding, investments, administration and communications*** which are covered in turn below.
- 3.5 **Governance Objectives**

- 1) All staff, Pension Board and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- 2) The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
- 3) To understand and ensure compliance with all relevant legislation.
- 4) To ensure the Fund aims to be at the forefront of best practice for LGPS funds
- 5) Ensures the Fund manages Conflicts of Interest

3.6 Funding Objectives

- 6) To ensure the long-term solvency of the Fund.
- 7) To help employers recognise and manage pension liabilities as they accrue.
- 8) To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
- 9) To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations. (Including: addressing the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective).

3.7 Investment Objectives

- 10) Optimising the return on investment consistent with a prudent level of risk
- 11) Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
- 12) Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
- 13) Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
- 14) Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns (and minimise the cost of benefits) for an acceptable level of risk'). Ensure return seeking assets are in line with Funding objectives.

3.8 Administration Objective

- 15) To deliver an efficient, quality and value for money service to its scheme employers and scheme members.

3.9 Communications Objective

- 16) Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.

WORK PLAN

- 3.10 In designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated into the Fund Business Plan. The Pensions Committee Work Plan has therefore been developed using the business plan attached as appendix 1 to this report.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The performance of the Pension Fund investments affect the required level of contributions due from employers.
- 4.2 LGPS regulations specify that any net sums not immediately required should be invested in accordance with regulations. The investment of Pension Fund cash has been kept separate from Tower Hamlets Council's investments but invested in accordance with the Council's Treasury Management Strategy.
- 4.3 Sound financial management of the Pension Fund, helps ensure that the Pension Fund is run in an efficient and cost-effective manner. Poor management of the Pension Fund finances would result in increased costs, which would need to be met through higher employer contributions to the Pension Fund.
- 4.4 Any financial commitments arising from this report, will be met from the pension fund therefore there are no financial implications on the Council's general fund.

5. LEGAL COMMENTS

- 5.1 Administering authorities are now bound by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which have replaced the 2009 Regulations. These regulations set out an administering authority's statutory duties in ensuring the proper administration and management of its pension fund.
- 5.2 The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.
- 5.3 Members of the Pensions Committee are required by the Council's Constitution to consider pension matters and meet the various statutory obligations and the duties of the Council. This Work Plan provides for certain statutory requirements to be met and for members to be well trained and kept up to date and thus fit for purpose.
- 5.4 When making decisions regarding management of the of the pension scheme, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The London Borough of Tower Hamlets Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to more effective management of the Fund.

6.2 A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

7.1 A Business plan, work plan and budget should result in a more efficient process of managing the Pension Fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The adoption of a work plan will minimise risks relating to the management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Tower Hamlets Pension Fund.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no any crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 - Business Plan 2018-2021
- Appendix 2 - Pensions Committee Work Plan

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

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Appendix 1

BUSINESS PLAN 2018-2021

In order to meet the objectives of the Pension Fund, the Pensions Board has to review the business plan and the Pensions Committee has to review and agree the business plan for the period 2018-2021. This has to be put into the context of a period of significant uncertainty for the Fund, which reflects not just ongoing volatility in investment markets, but also measures for structural reform which could have a fundamental impact on the overall management of the Fund.

The purpose of the business plan is to:

- a) explain the background and objectives of London Borough of Tower Hamlets for the management of the Tower Hamlets Pension Fund
- b) document the priorities and improvements to be implemented by the pension administration service during the next three years to help achieve those objectives
- c) enable progress and performance to be monitored in relation to those priorities
- d) provide staff, partners and customers with a clear vision for the next three years.

Set out in the table below is the 3 year business plan for the Pension Fund:

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Governance Objectives				
Draft Pension Fund Accounts	July - September	July - September	July - September	1,2,3,7,13,15,16
Approve Final Pension Fund Annual Report & Accounts	September - November	September - November	September - November	1,2,3,7,13,15,16
Employer Forum	November - January	November - January	November - January	3,4,7,8,9,15,16
Review Risk Register	September - November	September - November	September - November	1,2,5,6,7,8,9,10,11,12,13
TPR Code of Practice	April - October	March - June	March – June	1,2,3,4,5
Governance Policy Review	December - March	December - March	December - March	1,2,3,4,5
Self-Assessment & Review of Advisers	December - March	December - March	December - March	1,2,3,4,5
Induction Training for New Members	May – July (As Required)	May – July (As Required)	May – July (As Required)	1, 2, 4, 15
Member’s Training	Quarterly	Quarterly	Quarterly	1,2,4,15

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Training Policy Review	November – January	November – January	November – January	1,3,4
Pensions Board –Annual Reporting	Mar - July	Mar - July	Mar - July	1,2,3,4,6,7,8,9,10,11,12,13,14,15,16
Review Performance, funding and budget	Quarterly	Quarterly	Quarterly	1,2,3,4,6,7,8,9,10,11,12,13,14,15,16
AVC Review	September – January		September – January	1,2,3,4,5
Review Reporting Breaches Policy	July	July	July	10,15,16
Review Conflicts of Interest Policy Review	July	July	July	5
Creation & Review Cessation Policy	September – January		April - July	5,6,7,8,9,15,16
Funding Objectives				
Preparation and Update of 2019 Actuarial Valuation	November - March	April - March	As Required	5,6,7,8,9,15,16
Review of Funding Strategy Statement		November - March	April - March	5,6,7,8,9,15,16
Investments Objectives				
Review Investment Strategy Statement	September - March	As required	As required	1,3,10,11,12,13,14,15,16
Investment in Multi-Credit Manager	April - July			1,2,4,10,11,12,13,14,15
Investment in Infrastructure, Long Lease & Private Debt	July - December			1,2,4,10,11,12,13,14,15
Review Investment Consultancy Contract			September – March	5,10,11,12,13,14,15
Review Actuarial Services Contract			September – March	5,10,11,12,13,14,15
Strategic Asset Allocation – Regular Review	Ongoing	Ongoing	Ongoing	1,4,6,8,9,10,11,12,13,14
Carbon Footprint Audit	July - September	July - September	July - September	5,6,7,8,9,15,16
Pension Fund Treasury Management Strategy	January	January	January	1,9,10,11,12,13,14,15
Individual Manager Review	Quarterly	Quarterly	Quarterly	1,2,4,10,11,12,13,14,15
Asset/Liability Monitoring	Ongoing	Ongoing	Ongoing	5,10,11,12,13,14,15,16
Collaborative working-London CIV	Ongoing	Ongoing	Ongoing	1,2,4,10,11,12,13,14,15

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Pension Administration				
Pension Administration Strategy	January – March	January – March	January – March	1,2,3,7,9,15,16
GMP Reconciliation	April-September			1,2,3,15,16
Employer data Improvements	Ongoing	Ongoing	Ongoing	1,2,3,7,9,15,16
Administering Authority Discretions Review	April-July			1,2,3,4,5,9,10,15,16
Admitted Bodies Policy	September		September	1,2,3,4,5,9,10,15,16
Employing Authority Discretions	July		July	1,2,3,4,5,9
Communications				
Annual Benefit Statements	August – September	August – September	August – September	15,16
Auto-Enrolment /Workplace Pensions	Ongoing	Ongoing	Ongoing	1,2,3,15,16
Communications Policy Review	January-March	January-March	January-March	1,2,3,15,16