

# TOWER HAMLETS PENSION FUND BUSINESS PLAN 2022/23 TO 2024/25

## INTRODUCTION

Tower Hamlets Council is the Administering Authority of the Tower Hamlets Pension Scheme (PLGPS).

Management of the Pension Fund is delegated to the Pensions Committee acting in the role of ‘trustees’ of the Pension Fund. The day to day running of the Fund has been delegated to the Corporate Director of Resources (S151 Officer). The Corporate Director Resources is the LGPS Senior Officer.

The Pensions Team has responsibility for all aspects of the Fund including governance, investments, accounting and administration. The Head of Pensions & Treasury has day to day responsibilities for all pensions activities.

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming 3 years, its core work and how the objectives will be achieved.

A report of the management of key risks is also included as part of the Business Plan. The Pensions Board on behalf of the Committee reviews the detailed Risk Register on a quarterly basis.

### About Tower Hamlets Pension Fund (“the Fund”)

<b>Fund Membership</b>		<b>Funding/Employers</b>
Actives	7,358	102% funded 2019 triennial valuation
Pensioners	6,924	48 employers of which 34 have active members
Deferreds	8,259	
Frozen & Undecided	2,162	
	24,703	
<b>Investments</b>		<b>Governance</b>
£2.021bn investments 31/3/2022		Tower Hamlets Pension Committee
London CIV Pool member		Tower Hamlets Pension Board

## Objectives

The Funds fundamental objectives are:

- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they fall due.

To do this we will:

- Ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively.

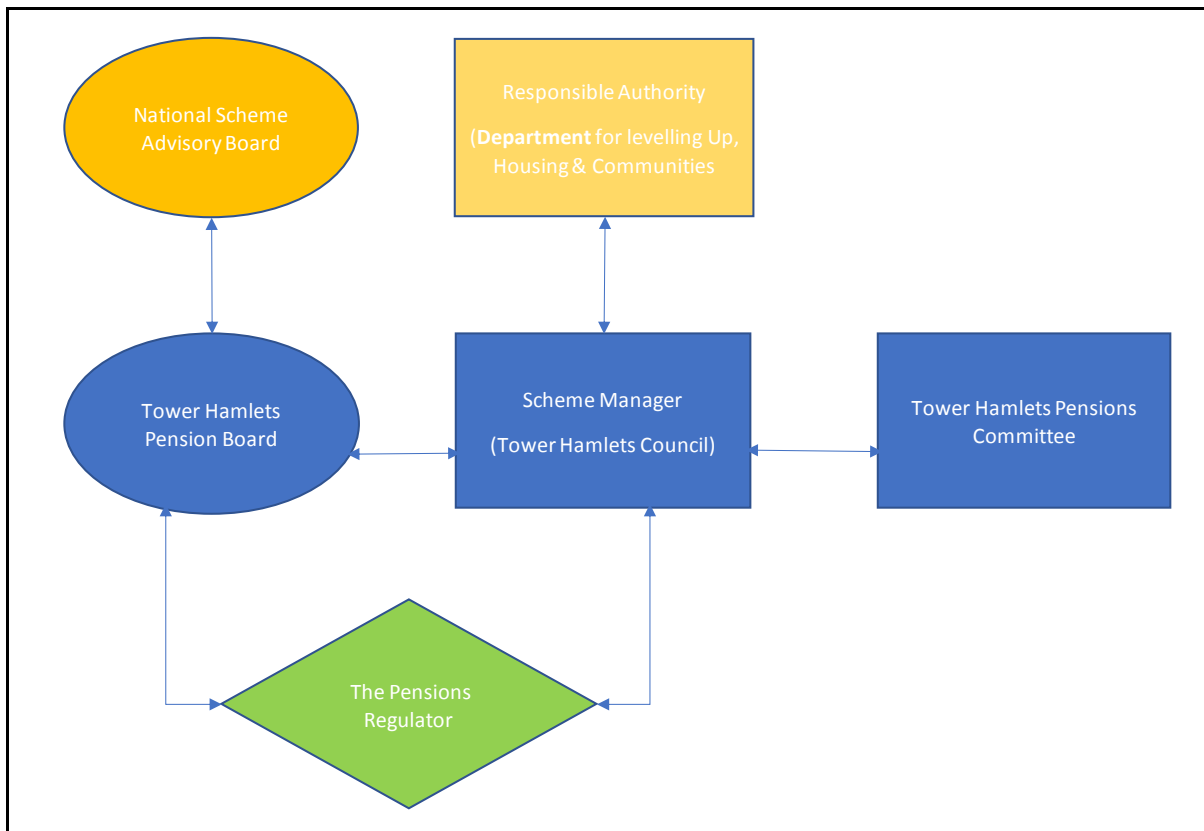
- Deliver high-quality benefit administration service, working effectively with scheme employers and maintain a constant focus on data quality and service to scheme members.
- Ensure the financial stability of the Fund through effective forecasting of long-term liabilities, collection of appropriate contributions and generation of an appropriate risk adjusted return of the fund's investments.

The Fund's priorities for the three years 2022/23 to 2024/25 are linked to the five key areas of business: Investments, Funding, Governance, Administration and Communications:

- Investments: to maximise returns from investment within reasonable risk parameters including Net zero targets and responsible investing.
- Funding: Given the preference to keep employer contribution rates reasonably stable where appropriate.
- Governance: To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise.
- Administration and Communications: to deliver effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due, and payments are made to the right people at the right time and to provide clear, appropriate and timely communication and support to stakeholders.

## **Governance Arrangements**

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below:



### **Responsible Authority**

For the LGPS, this is the Department for Levelling Up, Housing & Communities (DLUHC); its primary roles being:

- The LGPS Scheme ‘sponsor’
- Ensuring affordability of the LGPS for members and employing authority
- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience.
- Commissioning and updating legislation and actuarial advice.

### **National Scheme Advisory Board**

The Local Government Pension Scheme Advisory Board (SAB);

- Advises on policy, best practice, and governance issues
- Reporting responsibility
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator

### **The Pensions Regulator**

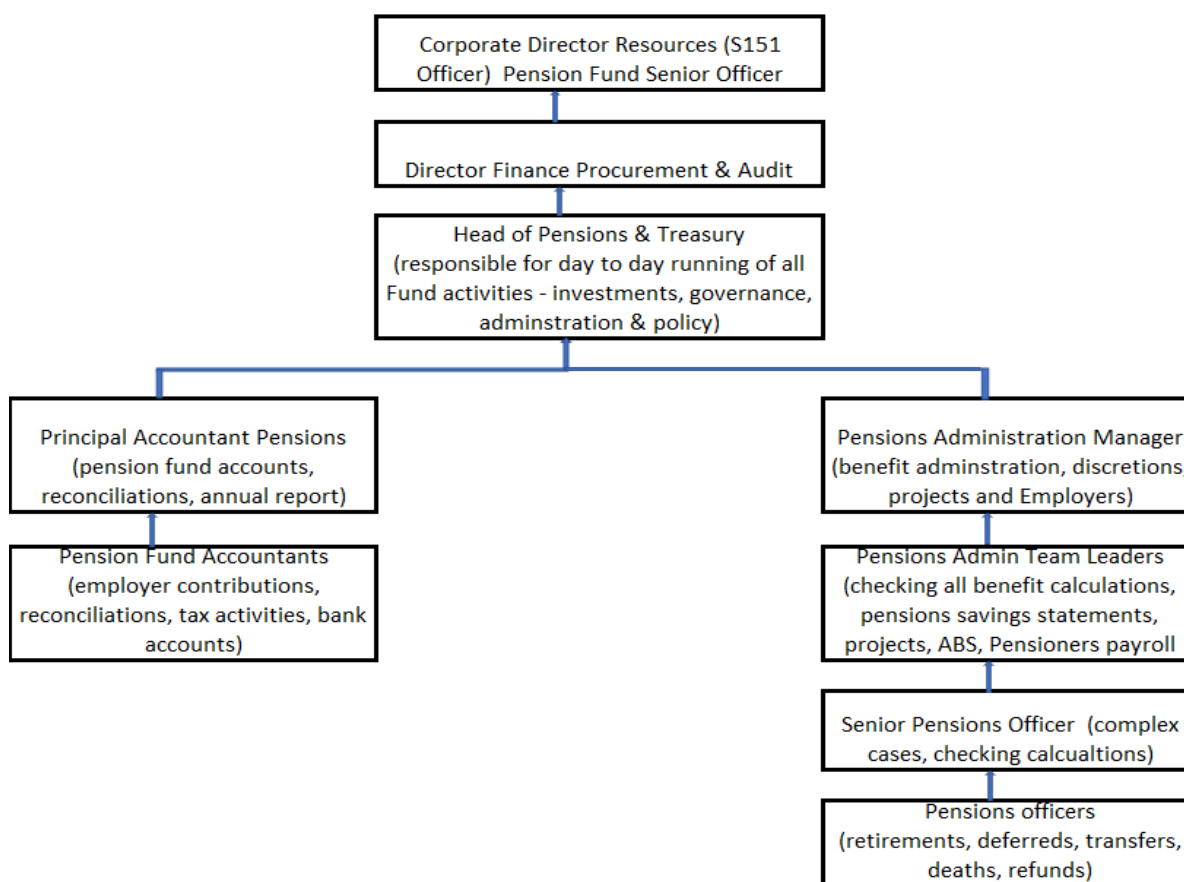
The statutory objectives of the Pensions Regulator are:

- Protect member benefits (although accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Tower Hamlets Fund, this function is delegated to the Tower Hamlets Pensions Committee.

## Resources and Budget

The Pensions & Treasury team is responsible for day-to-day activities of the Fund – investment management, administration of benefits, cash flows, fund accounts, annual reports, IAS19/FRS102 for employers, administration of members benefits, HMRC returns, member and employer communication and governance. The team is headed by the Head of Pensions & Treasury.



The Fund also accesses other services within the Council, such as the expertise of the Council’s Legal Services who provide advice, in addition to external providers such as independent investment adviser, the actuary, the investment consultant, the London CIV, external investment managers and other specialist external advisers as required.

The estimated costs of operating the Tower Hamlets Pension Fund for 2022/23 and 2023/24 are shown below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- Administration Costs include the costs of dealing with Fund members and employees in relation to current and future benefits.
- Investment Management Expenses include the cost of Fund Managers, London CIV and the Fund’s Custodians

- Oversight and Governance Costs include the costs of the Fund's actuary, special projects and support provided by the Fund's actuary's consultancy team, external auditors, external legal advice, actuarial costs incurred by individual employers within the Fund, Staffing and pensions admin software provide costs, scheme pay costs on behalf scheme members, accommodation costs associated with running the Fund. Costs associated with Fund governance and governance costs at London CIV.

The table below shows current year and future estimates of running the Fund.

	2020/21	2021/22	2022/23
	£'000	£'000	£'000
<b>Administration Costs</b>	<b>1,465</b>	<b>1,748</b>	<b>1,850</b>
Charge from Administering Authority:	1,052	1,064	1,100
	175	177	200
Other (Software, benefits consulting, interest)	238	507	550
<b>Investment Management Expenses</b>	<b>10,751</b>	<b>12,241</b>	<b>15,141</b>
Management Fees - Direct	1,082	606	1,006
Management Fees - Indirect	7,110	9,476	11,476
Transaction costs - Indirect	2,494	2,087	2,587
Custody - Direct	65	72	72
<b>Oversight and Governance Costs</b>	<b>596</b>	<b>467</b>	<b>596</b>
Actuarial costs	191	116	191
LCIV Governance Costs	110	110	110
Other Costs	295	241	295
	<b>12,812</b>	<b>14,456</b>	<b>17,587</b>

Investment management fees expenses include transition costs incurred when changing investments and primate market fees for Renewable Energy fund.

## Key Tasks 2022/23 to 2024/25

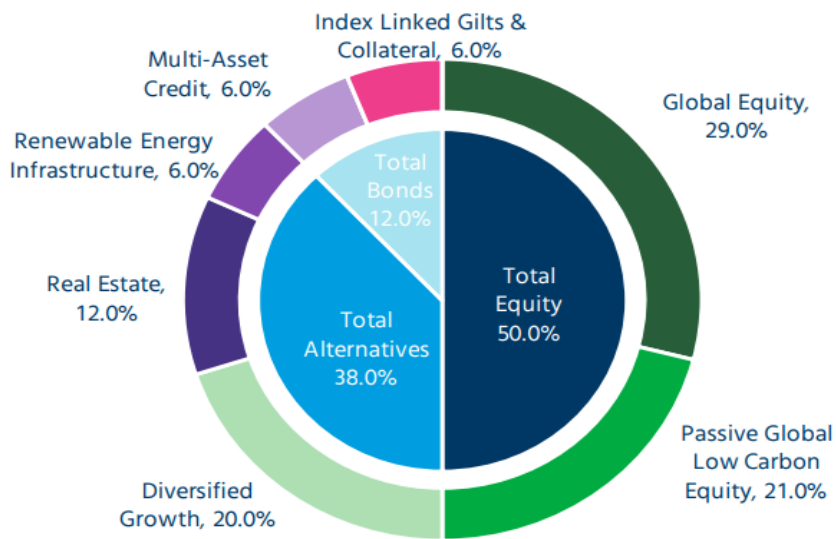
The plan below highlights the key tasks of the Pension Scheme, linked to the objectives of the Fund.

### Investment

#### Objectives

- To have a clearly articulated strategy for achieving the return required to meet pension payments.
- To have a strategic asset allocation that delivers long-term investment returns, while taking the appropriate level of risk required
- To have sufficient liquid resources available to meet the Fund's ongoing obligations.
- To ensure material ESG factors are fundamental to all investment decisions.
- To appoint managers and advisors to deliver the investment strategy and monitor their effectiveness

## Strategic Asset Allocation on 31 March 2022



Action	Description	22/23	23/24	24/25
<b>Policies and Publications</b>				
1	Investment Strategy Statement review including Responsible Investment (RI) Policy	-	Triennial	-
2	Reporting on RI	Annual	Annual	Annual
3	Taskforce for Climate Related Disclosures (TCFD) annual report	Annual	Annual	Annual
4	Investment Managers Engagement Strategy	Ongoing	Ongoing	Ongoing
<b>Reviews</b>				
5	Investment strategy and asset allocation review	Biannual	Biannual	Biannual
6	London CIV review	Annual	Annual	Annual
7	Asset class focus – LCIV Residential Property	Explore	-	-
8	Individual Manager review	Quarterly	Quarterly	Quarterly
9	Asset /Liability Study (Total Fund Assessment)	-	-	Triennial
10	Carbon footprint measurement and Climate Change Policy Objectives and Metrics	Annual	Annual	Annual
11	Review Equity Protection Strategy	As required	-	-
12	Review Investment consultant and independent advice	-	Review	-
13	Review Competitions Market Authority (CMA) investment consultant strategic objectives	Annual	Annual	Annual
14	Establish base-line pension fund budget	Annual	Annual	Annual

15	Monitor pension fund SAB Cost Transparency	On going		
16	Produce Annual Statement of Accounts and achieve an unqualified audit	Annual	Annual	Annual
17	Produce Pension Fund Annual Report	Annual	Annual	Annual
18	Monitor Net zero pathway	On going	Ongoing	Ongoing
19	Report on Cost Effective Measurements (CEM) investment benchmarking	Annual	Annual	Annual
20	Stewardship Code reporting	-	Annual	Annual
21	Voting Policies	-	Explore/Develop	Implement
22	LCIV engagement review	-	Annual	Annual
23	Review management for gilts	As required	-	-
24	Asset class focus - passive equity portfolio	As required	As required	As required
25	Asset class focus – private markets	As required	As required	As required

## Funding

### Objective(s)

- To ensure the long -term solvency of the Fund, using a prudent long-term view.
- To ensure that employer contribution rates are affordable and stable.
- To reflect the different characteristics of scheme employers in determining contribution rates.
- Ensure consistency between the investment strategy and funding strategy
- Maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund
- To ensure administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To take reasonable measures to reduce the risk to all employers of any employer defaulting on its pension obligations.

Action	Description	22/23	23/24	24/25
1	Provide employers with IAS19/FRS102 funding statements when requested	Triennial	As required	As required
2	Monitor monthly and reconcile contributions schedule for all scheme employers	Monthly	Monthly	Monthly
3	Reconciliations – benefits, fund manager/custodian	Quarterly	Quarterly	Quarterly
4	Review cash flow	Ongoing	Ongoing	Ongoing
5	Review ill health policies for employers and administering authority	As required	As required	As required
6	Plan for 2022 triennial valuation	Triennial	-	-
7	Actuarial Valuation - valuation assumptions	Triennial	Implement	-
8	Longevity Analysis of Fund	Triennial	-	-

9	Employer Risk Exercise	Triennial	Ongoing	Ongoing
10	Present triennial valuation pre-results	December 2022	-	-
11	Present triennial valuation final results	Triennial	-	-
12	Funding Strategy Statement (including Flexibilities Policies)	Triennial	As required	As required
13	Review of discretions	As required	As required	As required
14	Interim Funding review	-	Annual	Annual

## Governance

### Objective(s)

- To deliver all LGPS administering authority functions to a high level of quality while recognising the need to deliver value for money.
- To ensure that policies support the strategic aims and objectives of the Fund.
- To ensure the effectiveness of the Pension Fund Committee, Local Pension Board and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies
- To ensure that decision making authority and areas of responsibility are clearly defined and reflected in the Council's Scheme of delegation, terms of reference and procedures.
- To recognise that communication is a two-way process and to communicate in a straightforward, effective and friendly way with all our stakeholders. We will listen and take on board all feedback.
- To ensure the Pension Fund Committee and officers procure professional advice and appropriate information and interpret, scrutinise and challenge that advice in their supervision and monitoring of the Scheme in all areas
- To enable the management of risks and internal controls to underpin the activities of the Fund.
- Ensure compliance with the LGPS regulations, other relevant legislation and the, The Pensions Regulator's requirements and acknowledged best practice.
- To periodically seek external assurance as to the effectiveness of the governance framework. To report on this effectiveness.
- To act with integrity and transparency in a way that upholds public confidence in the management of Fund

Action	Description	22/23	23/24	24/25
<b>Policies and Publications</b>				
1	Business Plan & Budget review	Annual	Annual	Annual
2	Risk Management Strategy	-	Review	-
3	Administration Strategy	-	Review	-
4	Governance Policy and Compliance Statement	Annual	Annual	Annual
5	Policy for the Recording and Reporting Breaches of the law	-	Review	-
6	Terms of Reference for PC and PB	-	Review	-
7	Conflict of Interest Policy	-	Review	-
8	Members' knowledge and understanding – Knowledge and Skills Strategy	Review	Review	Review
9	Business Continuity Policy	Review	-	-



10	Agree annual plan for Committee, local Board members and officer training	Annual	Annual	Annual
<b>Reviews</b>				
11	Ongoing assessment of Fund risks and review of Risk Register. Reported to every Committee meeting, via the Local Pension Board report	Ongoing	Ongoing	Ongoing
12	Review Pension Fund Committee and Local Pension Board member training requirements and implement training plan as appropriate	Ongoing	Ongoing	Ongoing
13	Ensure that meeting papers are issued at least seven days prior to every Pensions Committee and Board meeting	Ongoing	Ongoing	Ongoing
14	Review compliance with the Pension Regulator's Codes of Conduct.	When available	-	-
15	Respond to all government consultations and report to the Pension Fund Committee as necessary	Ongoing	Ongoing	Ongoing
16	Statement of Accounts including compliance with CIPFA requirements	Annual	Annual	Annual
17	Ensure London CIV Shareholder Resolution are completed and signed by the Pension Fund Committee Chair	Ongoing	Ongoing	Ongoing
17	Complete annual return to the Pensions Regulator	Annual	Annual	Annual
19	Update on cyber security risk	Implementation	-	Review
20	Update on GDPR and privacy policy	Review	Implementation	Review
21	PC and PB work plan	Ongoing	Ongoing	Ongoing
22	Give due consideration to recommendations made to the Pension Fund Committee from the Local Pension Board and respond to the Local Pension Board within a reasonable period of time	Ongoing	Ongoing	Ongoing

## Administration and Communications

### Objective(s)

- To ensure the correct benefits are paid to, and the correct income collected from, the correct people at the right time.
- To set out the administration standards expected of the Fund and scheme employers and the methods by which performance will be monitored and reported. To support employers in achieving those standards.
- To promote good working relationships and maximise efficiency between the SPF and scheme employers
- To ensure scheme employers are aware of and understand their roles and responsibilities under the LGPS regulations.
- To ensure that the Fund maintains accurate pension records and that all data is stored, handled, reviewed and disposed of securely and in accordance with its legal obligations.

- To ensure that the administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To ensure that Scheme members, employers and others who have dealings with the Fund receive a strong customer focused service.
- To ensure members are communicated effectively so that they understand and appreciate the value of their benefits.

Action	Area of Activity	22/23	23/24	24/25
<b>Policies and Publications</b>				
1	Administration Strategy	-	Review	-
2	Data Retention Policy	Explore	Develop	Implement
3	Communication Policy	-	Review	-
<b>Review</b>				
4	Conduct monthly team meeting	Monthly		
5	Produce administration performance monitoring reports on a quarterly basis, after scrutiny from the Local Pension Board	Quarterly	Quarterly	Quarterly
6	AVC review	Review	Implement	-
7	Member Self Service take up review	Review	Review	-
8	Service Delivery Survey <ul style="list-style-type: none"> <li>• Draft survey created</li> <li>• Issue to random selection of members</li> <li>• Consider survey results</li> <li>• Present survey results</li> <li>• Ensure appropriate action is taken</li> </ul>	-	Implement	Report
9	Review Internal Dispute Resolution Process (IDRP) Reporting	Review	-	Review
10	Review Communications strategy and Communication Plan	Review	-	Review
11	Production of Pay Slip and P60 to pensioner Members	Annual	Annual	Annual
12	Timely production of benefit statements. Active, deferred members by 31 Aug annual Councillors 31 Aug annual	Annual	Annual	Annual
13	Timely production of Annual Allowance pensions saving statements	Annual	Annual	Annual
14	Timely submission of HMRC returns	Ongoing	Ongoing	Ongoing
15	Timely submission of government returns – ONS, SF3	Ongoing	Ongoing	Ongoing
16	Prepare for annual employer forum	Dates tbc	Dates tbc	Dates tbc
17	Plan and implementation of McCloud	Expected	Ongoing	Ongoing
18	Plan for GMP Equalisation changes	Ongoing	Ongoing	Ongoing
19	Data improvement plan - Annual review of data	Ongoing	Ongoing	Ongoing
20	Pension Fund Annual General Meeting	tba	tba	tba
21	Pensions Dashboard	Review	Implement	Ongoing

## Training

Training offered/delivered to our Committee and Board Members to enabling robust decision making. The Fund subscribes to Hymans Robertson training academy. Each member has log in details and quarterly reports is presented to Committee and Board.

Training	2022/23	2023/24	2024/25
Formal Induction/Refresher training to ensure the PC can carry out its role as decision maker	30 May 22	As required	As required
Actuarial Assumptions – Pensions Board	13 June	-	As required
Climate Change – Pensions Board	13 June	As required	As required
Actuarial Assumptions – Pensions Committee	27 June	-	As required
Formal Induction/Refresher training to ensure the PB can carry out its role	12 Sept 22	As required	As required
Hymans online training portal	Ongoing	As required	As required
Adhoc training – various topics	As required	As required	As required
LGPS Governance Conference	Annual	Annual	Annual
Funding Strategy Statement training	Triennial	-	-
Investment Strategy Statement training	-	Triennial	-
Actuarial valuation training	Triennial	-	As required
Bitesize training by asset class	As required	As required	As required
Responsible Investment training	Ongoing	Ongoing	Ongoing

### Key Policy Documents

For further information on the Tower Hamlets Pension Fund, please visit our website

[www.towerhamletspensionfund.org](http://www.towerhamletspensionfund.org)

### Further Information

If you require further information about anything in or related to this Business Plan, please contact:

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