

REPORT OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

Pension Fund Business Plan 2016-2019

**Pensions Committee
27th June 2016**

**Classification
Public**

Ward(s) affected

ALL

**Enclosures
One**

1. INTRODUCTION

- 1.1 This report introduces the Pension Fund Business Plan for the period covering 2016-19 and includes a draft plan of work for the Pensions Committee and communications plan for the current financial year 2016-19

2. RECOMMENDATION

2.1 The Pensions Committee is recommended to:

- **Approve the Business Plan for the Pension Fund for 2016-19**
- **Approve the draft work plan for the Pensions Committee for the Financial Year 2016-17**
- **Approve the draft Communications Plan for 2016-17**

3. RELATED DECISIONS

- 3.1 Pension Sub-Committee 17th January 2013 – Pension Fund Objectives and Measurement

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

- 4.1 The Pensions Committee acts in the role of quasi trustees for the Pension Fund and as such is therefore responsible for the management of £1.17 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund.

- 4.2 Having a 3 year business plan helps to ensure that the Fund is at the forefront of best practice amongst LGPS Administering Authorities and ensures that the Committee is able to plan and understand the financial decisions that the Committee will be faced with over the coming years. The decisions taken by the Committee impact directly on the financial standing of the Fund and, given the need to ensure that the Fund is able to meet its liabilities (pension benefit payments), the decisions taken will affect its ability to meet such liabilities. Given that the Administering Authority has to ensure that over time the Pension Fund is able to meet all its future liabilities, ensuring prudent financial management will directly impact on the contribution rates payable by employers participating in the Fund.

- 4.3 The schedule of work as set out in the draft programme should help to ensure that Members are conversant with the key factors that are likely to affect the Pension Fund and to be able to take informed decisions in the management of the Fund over the coming 12 months.

5. COMMENTS OF THE DIRECTOR, LEGAL SERVICES

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for 15 specified functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the suite of Local Government Pension Scheme Regulations. Those obligations include complying with specified deadlines. It is sensible against this background and consistent with good administration to set out a 3 year business plan and programme the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.
- 5.2 The Committee has legal responsibilities for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. The LGPS (Management and Investment of Funds) Regulations 2009 require Administering Authorities to state the extent to which they comply with the Guidance given by the Secretary of State. Statutory Guidance was issued in 2010 covering the 6 updated Myners Principles which include the requirements for those charged with governance to set out how they comply with Effective Decision Making; Clear Objectives; Risk and Liabilities; Performance Assessment; Responsible Ownership; Transparency and Reporting. This report and the adoption of the Business Plan 2016-19 helps to ensure that the Committee is able to demonstrate compliance against these principles and is able to meet the regulatory deadlines laid out in legislation.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The London Borough of Hackney is the Administering Authority for the Pension Fund and delegated powers under the Council Constitution have been given to the Pension Committee to oversee the management of the Pension Fund. This includes monitoring of investments, making decisions on asset allocation, appointing advisors, overseeing pension administration, setting budgets and receiving the annual report and accounts for the Pension Fund.
- 6.2 The business plan covers all the known key strategic matters for the financial years 2016-2019, the majority of which will be covered by the Committee in some detail. The key items for the coming financial year include the current investment programme for multi-assets and emerging markets, review compliance against the Pensions Regulator's Code of Compliance along with a range of other governance issues and forthcoming changes to contracting out. The ongoing work to establish a London Collective Investment Vehicle and potential for the Fund to access investments through this mechanism are also likely to be an area of focus for the

Committee, as will work started last year on ensuring a greater role for the Fund in shareholder engagement. As usual the Committee will also be asked to consider a range of policy documents, many of which require updating on an annual or biennial basis. In addition as the year draws to a close, this will see the run up to the next triennial actuarial valuation and consideration will be given to cashflows and the possible outcomes and actions required as part of the valuation process.

- 6.3 A draft programme setting out proposed work and agendas for the Pensions Committee for the forthcoming year is detailed within the business plan. Of necessity there has to be some flexibility within the programme to take account of issues that may arise during the year or the need to move items within the agenda. The programme includes individual meetings with Fund Managers, although these may be subject to alteration dependent on performance and other reviews around asset allocation/investments.
- 6.4 At this stage it is hoped that the draft agendas will be able to be met in full, however, due to other work commitments or other items requiring inclusion in the agenda, some items may slip to a later meeting of the Committee or may no longer be required.
- 6.5 Training sessions for Members have been included in the work programme for the Committee, these are designed to cover topics that are likely to require action on the part of the Committee in the short term and are therefore felt to be the most relevant, however if other items arise which are felt to be of greater importance for Committee training then these will be incorporated in the work schedule.
- 6.6 Also included within the business plan is a draft communications plan for the current financial year 2016-17 which the Committee are asked to agree. This sets out the main areas to be targeted under the communications plan and annual reporting on actions undertaken during the year is included within the Pension Fund Report and Accounts under the Communications Policy.
- 6.7 Clarity over the longer term strategic items within the business plan becomes more difficult the further into the future the event, but the current business plan sets out the key known variables at this stage. It is recognised that this continues to be a time of considerable change for the LGPS and for the associated Pension Funds and that consultations over the coming months could considerably alter the business plan over the medium term.

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LIST OF APPENDICES

Appendix 1 - Pension Fund Business Plan 2016-19

- Draft Work Programme 2016-17 – Pensions Committee
- Draft Communications Programme 2016-17

BACKGROUND PAPERS

None