



# Havering

LONDON BOROUGH

## **HAVERING PENSION FUND**

**BUSINESS PLAN/REPORT ON THE WORK  
OF THE  
PENSIONS COMMITTEE  
DURING  
2018/19**

## **INTRODUCTION**

The Havering Pension Fund (the Fund) provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members on the Havering Pension Fund and the work of the Pensions Committee.

The Business Plan looks forward over the next three years and will be reviewed and updated annually.

This report also covers the period 1<sup>st</sup> April 2018 to 31 March 2019 and outlines:

- The work of the Pensions Committee
- Key issues arising during the course of the year

The value of assets held and the financial position of the Havering Pension Fund for 2018/19 is included in the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

## **BACKGROUND TO THE PENSION FUND**

The Council is an Administering Authority under the Local Government Pension Scheme Regulations and as such invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Pension Fund has a total of 49 employers with active members, of which the London Borough of Havering is the largest. The other employers in the Fund are made of up of 43 Scheduled bodies (Academies and Further Education bodies) and 6 Admitted bodies (outsourced contracts). There were five new employers and two cessations during 2018/19.

The Council has delegated the responsibility for investment strategy and performance monitoring to the Pensions Committee.

### **Pension Fund – Funding**

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2016/17 based on data as at 31 March 2016. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for the following three years with new rates commencing 1 April 2017.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process, the Fund reviews its funding and investment strategies to ensure that an appropriate contribution plan is in place.

As a measure of monitoring that the funding plan is on track the Fund Actuaries also provided Members with a report to illustrate the estimated development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017 (the mid-way point between valuations)

A comparison of funding levels can be seen below:

## Summary

Ongoing funding basis	31 Mar 2013	31 Mar 2016	30 Sep 2017
	£m	£m	£m
Assets	461	573	687
Liabilities	752	857	990
<b>Surplus/(deficit)</b>	<b>(292)</b>	<b>(284)</b>	<b>(303)</b>
Funding level	61.2%	66.8%	69.4%

The improvement in funding position is mainly due to strong investment performance over the periods. The next valuation will be based on data as at 31 March 2019 and the results will be presented to the Pensions Committee during the autumn 2019.

## Pension Fund – Investment Strategy Development & Performance Monitoring

In conjunction with the 2016 Valuation and in line with regulations the Committee developed a new Investment Strategy Statement (ISS) which replaced the Statement of Investment Principles (SIP) from March 2017 and later updated in November 2017.

The asset allocations as at 31 March 2019 are shown below together with individual fund manager benchmarks:

Asset Class	Current Allocation 31 March 2019	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
UK/Global Equity	18.9	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	7.5	Legal & General Investment Management	Pooled	Passive	FTSE All World Equity Index
	7.2	Legal & General Investment Management	Pooled	Passive	FTSE RAFI All World 3000 Index
	3.4	Legal & General Investment Management	Pooled	Passive	FTSE World Emerging Markets
<b>Equities</b>	<b>37.0</b>				
Multi Asset Strategy	12.0	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Capital growth at lower risk than equity markets
	4.5	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3 - 5%
	12.9	LCIV Ruffer	Pooled	Active	Absolute Return
<b>Multi-asset</b>	<b>29.4</b>				
Property	5.8	UBS	Pooled	Active	IPD All balanced (property) Fund's median +
Infrastructure	1.0	Stafford	Pooled	Active	CPI +5%% p.a. (net

Asset Class	Current Allocation 31 March 2019	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
					of fees)
	4.1	JPMorgan	Pooled	Active	CPI +5%% p.a. (net of fees)
Other	1.7	CBRE Global Property	Pooled	Active	CPI +5%% p.a. (net of fees)
<b>Real assets</b>	<b>12.6</b>				
Gilt/Investment Bonds	20.6	Royal London	Segregated	Active	<ul style="list-style-type: none"> <li>• 50% iBoxx £ non- Gilt over 10 years</li> <li>• 16.7% FTSE Actuaries UK gilt over 15 years</li> <li>• 33.3% FTSE Actuaries Index-linked over 5 years.</li> </ul> Plus 1.25%*
Other Bonds	0.4	Churchill	Pooled	Active	LIBOR + 4%
	Yet to be funded	Permira	Pooled	Active	LIBOR + 4%
<b>Bonds and Cash</b>	<b>21.0</b>				
<b>TOTAL</b>	<b>100.0</b>				

\*0.75% prior to 1 November 2015

As at March 2019 the total value of assets with the LCIV is £321m (£313m 2017/18) which represents 45% (44% 2017/18) of assets under management. The London CIV has a business arrangement with LGIM to deliver the passive global mandate; this can be classified as being within the London CIV so the allocation increases to £453m (£417m 2017/18) (63%)

The Fund will continue to have ongoing discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) timelines.

Significant investment changes during 2018/19 were as follows:

- Following the appointment of Real Asset Managers for Infrastructure and Global Property in March 2018 the fund has commenced funding these mandates. To date these mandates have been funded from internal pension fund cash balances and drawdowns from one of the funds multi asset manager (GMO). Further funding will continue during 2019/2020.
- To retain exposure to emerging markets lost through disinvestments with GMO the Fund has also transferred cash to Legal and General Investment Management (LGIM) passive Emerging Market Fund.
- In August 2018 the Fund appointed two Private Debt Managers - Churchill and Permira. These mandates will be funded from drawdowns with the current bond manager. Churchill has commenced funding with Permira capital calls expected in the latter half of 2019.

The performance of the Fund is measured against a tactical and a strategic benchmark.

**Strategic Benchmark** - A strategic benchmark has been adopted for the overall Fund of Index Linked Gilts + 1.8% per annum. This is the expected return in excess of the fund's liabilities over the longer term. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit.

**Tactical Benchmark** - Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

The Fund uses the services of State Street Global Services (SSGS) Performance Services PLC (formerly known as WM Company) to provide comparative statistics on the performance of the Fund for its quarterly monitoring.

The overall net performance of the Fund as at 31 March 2019 against both benchmarks is shown below:

	<u>1 year to</u> <u>31.03.18</u> %	<u>1 year to</u> <u>31.03.19</u> %	<u>3 Years to</u> <u>31.03.19</u> %	<u>5 years to</u> <u>31.03.19</u> %
Fund Return	4.9	3.3	8.3	7.3
<b>Tactical Benchmark</b>	<b>2.6</b>	<b>5.7</b>	<b>6.9</b>	<b>6.7</b>
Performance	2.3	-2.3	1.3	0.5
Fund Return	4.9	3.3	8.3	7.3
<b>Strategic Benchmark</b>	<b>2.3</b>	<b>7.4</b>	<b>10.2</b>	<b>10.7</b>
Performance	2.5	-3.8	-1.7	-3.1

Source: SSGS

*A geometric method of calculation has been used in the above table and consequently this may not sum*

The current shortfall has arisen largely as a consequence of the historically low level of real interest rates which have driven up the value of index linked gilts (and consequently the level of the funds liabilities). The Funds steady outperformance against strategic benchmark over the previous two years came to an abrupt halt as index-linked gilt yields fell over the quarter, pushing liability valuations up, whilst the funds return seeking assets fell sharply.

The former (DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement (ISS) issued September 2016 relaxed the regulatory framework for scheme investments which also included the relaxation on reviewing investment manager performance.

In light of the above guidance, the Committee reviewed the reporting arrangements in June 2017 and agreed that only one fund manager will attend each Committee meeting, unless performance concerns override this. Managers in the London CIV are now monitored by them

and the London CIV produce quarterly monitoring reports which are distributed to the Committee.

Cyclical coverage of manager monitoring is set out in **Annex B**, covering 2019/20 and 2020/21.

## FUND GOVERNANCE STRUCTURE

Investment strategy and performance monitoring of the Fund is a matter for the Committee which obtains and considers advice from the Authority and onsource officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The terms of reference for the Committee are:

- To consider and agree the investment strategy and statement of investment principles (SIP) (now called Investment Strategy Statement) for the Pension Fund and subsequently monitor and review performance
- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- To appoint and review the performance of advisers and investment managers for pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7, 12 or 24 of the Superannuation Act 1972

The membership of the Pensions Committee reflects the political balance of the Council and following the Local Elections held in May 2018 the structure of the Committee (those responsible for decision making during the year to 31 March 2019), are as follows:

### **Conservative Group:**

Cllr John Crowder (Chair)  
Cllr Viddy Persuad (From March 19)  
Cllr Matt Sutton

### **Residents Group**

Cllr Stephanie Nunn

### **North Havering Residents' Group**

Cllr Martin Goode (Vice Chair March 2019)

### **Upminster & Cranham Residents' Group**

Councillor Ron Ower

### **\*Labour Group**

Vacant\*

### **Other**

Union Members (Non-voting) - John Giles (Unison), Andy Hampshire (GMB)  
Admitted/Scheduled Body Representative (voting) (currently vacant)

From 19 March 2019 meeting Cllr Viddy Persaud replaced Cllr Melvin Wallace

\*Due to a Councillor changing political parties an adjustment was made to the political allocation of representatives who sit on the Pensions Committee from December 2018. This resulted in the Independent Residents Group losing one seat (Cllr David Durant) and the Labour Group gaining one seat (currently vacant).

## **SCHEME MANAGEMENT AND ADVISERS**

Day to day management of the Fund is delegated to the authority's statutory section 151 officer and delivered via oneSource (shared service arrangement between London Borough of Havering, Newham and Bexley).

The Pensions and Treasury team within the OneSource Finance service ensures that members of the Committee receive advice on investment strategy and monitoring of the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who has engaged the Local Pension Partnership (LPP) to undertake their pension's administration. The LPP monitor and manage the pension's employers and employee contributions into the Fund. The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

Chief Executive	Andrew Blake-Herbert
Section 151 Officer	Jane West
Pensions Administration Management	Sarah Bryant Director of Exchequer & Transactional Services (oneSource)
Fund Administrator	Local Pension Partnership (LPP)
Pension Fund Manager (Finance)	Debbie Ford (oneSource)
Legal Advisers	London Borough of Havering Legal Services (oneSource) provide legal advice as necessary Bevan Brittan (Specialist Advice)
Fund Actuary	Hymans Robertson LLP
Fund Investment Advisers	Hymans Robertson LLP
Investment Managers	Royal London Asset Management (Investment Bonds) UBS (Property) Ruffer LLP (Multi Asset) (transferred to London CIV 21 June 2016) Legal & General Investment Management GMO Global Real Return (UCITS) from January 2015 London CIV Baillie Gifford Diversified Growth Fund (from 15 February 2015) London CIV Baillie Gifford Global Alpha (from 11 April 2016)

	London CIV RF Absolute Return (from 21 June 2016) Stafford Capital – Real Assets Infrastructure (from June 18) JP Morgan – Real Assets Infrastructure (from July18) CBRE – Real Assets Global Property (from August 19) Churchill Asset Management – Private Debt (from December 18) Permira Credit Solutions– Private Debt (from January 19)
Asset Pool Company	London Collective Investment Vehicle (London CIV)
Fund Custodians	State Street Global Services
Performance Measurement	State Street Global Services – Performance Services PLC (formerly WM Company) Pensions & Investment Research Consultants Limited (PIRC)
Bankers	National Westminster Bank PLC
Auditors	Ernst and Young LLP
AVC Providers	Prudential Standard Life

**PENSION COMMITTEE MEETINGS 2018/19**

The Committee met a number of times during 2018/19 and **Annex A** sets out the coverage of matters considered, but the key issues that arose in the period are shown below:

**Major milestones and key issues considered by the Committee**

- **Reviewed Fund Managers quarterly performance**
- **Fund Manager voting and Engagement Activity** - Noted the annual review of fund manager voting and engagement and agreed to receive training in the development of a Statement of Investment Beliefs
- **Reviewed performance of the Pension Fund's Custodians, Investment Advisor and Actuary.**
- **Noted results of the Public service Pensions Act 2013 – Section 13 GAD report**
- **Agreed appointment of two Private Debt Managers (Churchill and Permira)**
- **Interview and assessment of Investment Consultancy Services for Stage 2 Evaluation**
- **Noted Local Pension Board Annual report for the year ending March 2018**
- **Noted Pension Fund Accounts for the Year ending 31 March 2018**
- **Noted Annual Report for the year ending 31 March 2018**
- **Collective Investment Vehicle (CIV)** - The Committee received updates on the London CIV.

**PENSION COMMITTEE MEETINGS 2019/20 AND ONWARDS**

In addition to the annual cyclical work programme as shown in **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:

- ESG Investment Beliefs policy development
- London CIV Pooling progression/Continued transfer of assets to the London CIV
- Further development and implementation of the Investment Strategy
- Training and consideration of Currency Management
- MHCLG Investment Regulation changes as applicable
- Outcome of The Pension Regulator review
- Results of the 2019 Triennial Valuation
- Review of the Funding Strategy Statement
- Topical issues discussed as appropriate
- Continued training and development – induction of new members, where applicable, following

## INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the Administrating Authority's Finance and Administration services (oneSource) and the associated costs are therefore reimbursed to the Administrating Authority by the Fund. The costs for these services form part of the Administrative and Investment Management expenses as reported in the Pension Fund Statement of Accounts.

Estimated costs for the forthcoming three years for Administration, Investment Management expenses and Governance & Oversight follow in this report.

**Pensions Administration** - From 1 November 2017 the Pensions Administration is provided through a delegated arrangement and is supplied by Local Pensions Partnership (LPP) which is a joint venture between Lancashire County Council and London Pensions Fund Authority.

Pensions Administration also includes a post for the Projects and Contracts Manager who monitors the pension's administration contract and ad hoc projects.

**Accountancy and Investment support** - The oneSource Finance service that supports the Pension Fund consists of an establishment of 2 full time equivalent posts.

## FINANCIAL ESTIMATES

In June 2014 The Chartered Institute of Public Finance & Accountancy (CIPFA) produced guidance on how to account for Management costs and then updated it in 2015 in order that improvements in cost comparisons can be made across all funds. Management costs are now split between three cost categories as follows:

### Administrative Expenses

Includes all staff costs associated with Pensions Administration, including Payroll.

	2017/18 Actual £000	2018/19 Estimate £000	2018/19 Actual £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Administration & Processing	500	565	*770	570	570	570
Other Fees	12	8	5	20	20	20
Other Costs	20	30	26	30	30	30
<b>TOTAL</b>	<b>532</b>	<b>603</b>	<b>801</b>	<b>620</b>	<b>620</b>	<b>620</b>

\*Includes one off agency costs and GMP reconciliation costs of £148k during 2018/19

### Investment Management expenses

These costs will include any expenses incurred in relation to the management of Fund assets. Fees are calculated based on market values under management and therefore increase or reduce as the value of investments change.

	2017/18 Actual £000	2018/19 Estimate £000	2018/19 Actual £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Fund Manager Fees	3,188	3,261	3,895	3,900	3,900	3,900
Custodian Fees	20	20	23	25	25	25
Performance Measurement services	16	11	27	30	30	30
Transaction costs	122	-	358	360	360	360
<b>TOTAL</b>	<b>3,346</b>	<b>3,292</b>	<b>*4,303</b>	<b>4,315</b>	<b>4,315</b>	<b>4,315</b>

Please note the following regarding the above figures

- Management and custody fees are charged according to the fund value; therefore an average figure has been applied for 2019/20 onwards
- \*Increased management costs due to Fund manager sign up to transparent reporting of costs and new fund manager catch up fees (Stafford).

### Governance and Oversight

This category captures all costs that fall outside the above two categories and include legal, advisory, actuarial and training costs. Staff costs associated with the financial reporting and support services to the Committee is included here.

	2017/18 Actual £000	2018/19 Estimate £000	2018/19 Actual £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Financial Services	147	147	142	147	147	147
Actuarial Fees	36	50	20	50	25	25
Audit Fees	18	21	16	16	16	16
Member Training (inc. LPB)	1	10	4	10	10	10
Advisor Fees	89	50	71	65	65	65
London CIV	101	93	98	100	100	100
Local Pension Board	5	5	4	5	5	5
Pensions Committee	29	36	38	40	40	40
Other Fees	-	-	26	10	10	10
<b>TOTAL</b>	<b>426</b>	<b>412</b>	<b>419</b>	<b>443</b>	<b>418</b>	<b>418</b>
<b>OVERALL MANAGEMENT TOTAL</b>	<b>3,925</b>	<b>3,995</b>	<b>5,523</b>	<b>5,378</b>	<b>5,353</b>	<b>5,353</b>

## TRAINING AND DEVELOPMENT STRATEGY

The Local Pension Board (LPB) has been in place since 25 March 2015.

The Pensions Regulator Code of Practice which came into force on 1 April 2015 includes a requirement for members of the Pension Committee/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.

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 Shadow Scheme Advisory Board in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role. It was always the plan to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.

A joint training strategy has been developed and was agreed by the Pensions Committee on the 24 November 2015 and presented to the Local Pension Board at its meeting on the 6 January 2016. The Training Strategy can be found in **Annex C**.

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. The Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Code of Practice.

Pension Committee and Board members are expected to achieve a minimum level of training credits and the CIPFA's Knowledge and Skills self-assessment training questionnaire will be used to record credits attained and identify gaps in the knowledge and skills of the members.

Long membership of the committee is encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

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.

## PROVISION OF TRAINING

A training budget has been agreed for the provision of training for £10,000 but this will be re-evaluated as appropriate. Training costs will be met from the Pension Fund.

The majority of training and development is cyclical in nature, spanning the four year membership of the committee. Associated training and development will be given when required which will be linked to the Pension Fund meeting cyclical coverage for 2019/20 as shown in **Annex B**.

In addition to the cyclical training and development that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Special pension committee meetings will be arranged from time to time to discuss matters that fall outside of the cyclical meetings.

The Fund encourages use of the three day training courses offered by the Local Government Employers which is specially targeted at elected members with Pension Fund responsibilities. All new members are encouraged and given the opportunity to attend.

Members receive briefings and advice from the Fund's Investment adviser at each Committee meeting.

Members and Officers also attend seminars arranged by Fund Managers or other third parties who specialise in public sector pensions.

The Fund is a member of the CIPFA Pensions network which gives access to an extensive programme of events, training/workshops, weekly newsletters and documentation, including briefing notes on the latest topical issues.

The Head of Pensions and Treasury, Pension Fund Manager and /or Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

Officers within onsource Pensions teams also benefit from sharing of best practice

The London CIV runs periodic seminars to aid Officer and Committee member development.

Training and development took place during 2018/19 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

Training logs are maintained and attendance and coverage can be found in **Annex D**.

The Pensions Regulator has launched an e-learning programme and this has been made available for members to use.

Training will be targeted as appropriate.

**PENSIONS COMMITTEE MEETINGS HELD DURING 2018/19****ANNEX A**

<b>MONTH</b>	<b>TOPIC</b>	<b>ATTENDED BY</b>
<b>24 July 2018</b>	<ul style="list-style-type: none"> <li>Noted Pension Fund Performance Monitoring for the quarter ending 31 March 2018, received presentations from Property Manager (UBS)</li> <li>Noted Pension Fund Accounts for the year ending 31 March 2018.</li> <li>Agreed the Pension Fund Annual Report for the year ending 31 March 2018.</li> <li>Agreed the Business Plan/Annual Report on the work of the Pensions Committee 2016/17</li> <li>Noted Local Pension Board Annual Report for the year Ended 31 March 2018</li> <li>Approved the proposed Work Programme for the year to March 2019.</li> </ul>	Cllr John Crowder (chair) Cllr Melvin Wallace(vice chair) Cllr Matt Sutton Cllr Ray Morgon (sub for Cllr Nunn) Cllr Ron Ower Cllr Martin Goode
<b>20 August 2018 (Special meeting)</b>	<ul style="list-style-type: none"> <li>Interview/Appointment of Investment Manager – Private Debt</li> <li>Interview/Appointment of Passive Equity Managers</li> </ul>	Cllr John Crowder (chair) Cllr Melvin Wallace (vice chair) Cllr Matt Sutton
<b>18 September 2018</b>	<ul style="list-style-type: none"> <li>Noted Pension Fund Performance Monitoring for the quarter ending 30 June 2018, received presentations from passive equity manager (LGIM)</li> <li>Noted Havering Colleges proposed Merger</li> <li>Noted Guaranteed Minimum Pension (GMP) Reconciliation work</li> </ul>	Cllr John Crowder (chair) Cllr Melvin Wallace(vice chair) Cllr Stephanie Nunn Cllr Martin Goode
<b>13 November 2018</b>	<ul style="list-style-type: none"> <li>Noted the views of officers on the performance of the Fund's Custodian for the period to September 2018.</li> <li>Noted the views of officers on the performance of the Fund's Actuary for the period to September 2018.</li> <li>Noted the views of officers on the performance of the Fund's Investment Advisor for the period to September 2018.</li> <li>Considered and agreed changes as necessary to the Governance Compliance Statement</li> <li>Agreed updates to Funding Strategy Statement</li> <li>Agreed Communications Strategy for 2018 to 2021</li> <li>Noted Review of Risk Register</li> <li>Noted results of the Whistle Blowing Annual review</li> </ul>	Cllr John Crowder (chair) Cllr Melvin Wallace(vice chair) Cllr Matt Sutton Cllr Stephanie Nunn Cllr Martin Goode Cllr Ron Ower Andy Hampshire (GMB union Rep)
<b>11 December 2018</b>	<ul style="list-style-type: none"> <li>Noted the Pension Fund Performance Monitoring for the quarter ending 30 September 2018, received presentations from the Multi Asset Manager</li> </ul>	Cllr John Crowder (chair) Cllr Melvin Wallace(vice chair)

## PENSIONS COMMITTEE MEETINGS HELD DURING 2018/19

ANNEX A

MONTH	TOPIC	ATTENDED BY
	GMO. <ul style="list-style-type: none"> <li>• Noted Local Government Pension Scheme charging policy for Havering</li> <li>• Noted the results of the Public Service Pensions Act 2013 – Section 13 GAD report</li> <li>• Noted the review of the Fund manager voting and engagement activity, including the responsible investment policy for the London CIV</li> <li>• Agreed the next steps in respect of developing future reviews of responsible investment monitoring, including development of a set of investment beliefs.</li> </ul>	Cllr Matt Sutton Cllr Stephanie Nunn Cllr Martin Goode Cllr Ron Ower Cllr David Durant
<b>21 February 2019 (Special meeting)</b>	<ul style="list-style-type: none"> <li>• Interview/Assessment of Investment Management Consultancy Services for Stage 2 Evaluation</li> </ul>	Cllr John Crowder (chair) Cllr Viddy Persaud Cllr Stephanie Nunn Cllr Martin Goode Cllr Ron Ower Cllr David Durant John Giles (UNISON representative)
<b>19 March 2019</b>	<ul style="list-style-type: none"> <li>• Noted the Pension Fund Performance Monitoring for the quarter ending 31 December 2018, received presentations from Ruffer Absolute Return Fund and the London CIV for both the Baillie Gifford Global Alpha Fund and the Diversified Growth Fund.</li> <li>• Noted the issue of Local Government Pension Scheme consultations for Asset pooling &amp; Fair Deal, including discussions on items for inclusion in response to Asset pooling</li> <li>• Noted the review being undertaken by The Pensions Regulator.</li> <li>• Considered and agreed the next steps to finalise a formal statement of investment beliefs</li> </ul>	Cllr Martin Goode (chair) Cllr Roger Ramsey (sub for Cllr Crowder) Cllr Stephanie Nunn Cllr Ron Ower Cllr Viddy Persaud

- Please note that three members constitute a quorum.
- Target dates for issuing agendas were met.

## KEY REPORTING DATES 2019/20

## ANNEX B

	24 JULY 2019	17 SEPTEMBER 2019	12 NOVEMBER 2019	10 DECEMBER 2019	17 MARCH 2020
<b>Formal Committees with Members</b>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of March 19               <ul style="list-style-type: none"> <li>a) Royal London (Bonds)</li> </ul> </li> <li>▪ Business Plan/Report on the work of the Pensions Committee 2018/19</li> <li>▪ Pension Fund Accounts 18/19</li> <li>▪ Pension Fund Annual Report for 18/19</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of June 19:               <ul style="list-style-type: none"> <li>a) UBS (Property)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual review of Custodian</li> <li>▪ Annual review of Adviser</li> <li>▪ Annual review of Actuary</li> <li>▪ Review of Governance Policy</li> <li>▪ Whistleblowing Annual Assessment</li> <li>▪ Risk Register Review</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of September 19               <ul style="list-style-type: none"> <li>a) Stafford (Infrastructure)</li> </ul> </li> <li>▪ Annual review of Fund Managers Voting &amp; Engagement</li> <li>▪ Triennial Valuation Reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of December 19:               <ul style="list-style-type: none"> <li>a) JP Morgan (Infrastructure)</li> </ul> </li> </ul>
<b>Training</b>	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

## KEY REPORTING DATES 2020/21

ANNEX B (continued)

	JULY 2020	SEPTEMBER 2020	NOVEMBER 2020	DECEMBER 2020	MARCH 2021
<b>Formal Committees with Members</b>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of March 20               <ul style="list-style-type: none"> <li>a) LCIV Ruffer (Absolute return)</li> <li>b) LCIV Baillie Gifford ( DGF) &amp; Global equities)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of June 20:               <ul style="list-style-type: none"> <li>a) CBRE(Global Property)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual review of Custodian</li> <li>▪ Annual review of Adviser</li> <li>▪ Annual review of Actuary</li> <li>▪ Review of Governance Policy</li> <li>▪ Whistleblowing Annual Assessment</li> <li>▪ Risk Register Review</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of September 20               <ul style="list-style-type: none"> <li>a) Churchill Nuveen (Private Debt)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall Monitoring Report on Pension Fund to end of December 20:               <ul style="list-style-type: none"> <li>a) Legal &amp; General (passive equity)</li> </ul> </li> </ul>
<b>Training</b>	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

# Contents

## LGPS Knowledge & Skills Training Strategy

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## Introduction

This is the Training Strategy for the London Borough of Havering Pension Fund.

It sets out the strategy agreed by the Pension Committee and the Local Pension Board concerning the training and development of the members of the

- Pension Committee (the “Committee Members”);
- members of the local pension board (the “Board members”) and
- officers of the London Borough of Havering Pension Fund responsible for the management of the Fund (the “Officers”).

The Training Strategy is established to aid the Committee Members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision making responsibility put upon them. A code of practice and a framework of knowledge and skills has been developed by CIPFA which LGPS Funds are expected to sign up to.

The Public Service Pensions Act 2013 also requires London Borough of Havering Council to set up a Local Pension Board. The Act requires the Pensions Regulator to issue a code of practice relating to the requirements of the knowledge and understanding of Board members. Guidance on the knowledge and understanding of Local Pension Boards in the LGPS has also been issued by the Shadow Scheme Advisory Board in January 2015. Although this has not been designated as statutory guidance it should be held as good guidance and should be acknowledged.

The objective of the CIPFA knowledge and skills framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers to the Pension Committee whilst the guidance for local pension boards issued by the Shadow Scheme Advisory Board is to assist the individual Board members in undertaking their role to assist the Scheme Manager (the London Borough of Havering Pension Fund) in the effective governance and administration of the local government pension scheme.

The training desired to achieve the additional knowledge and skills will be contained in the appropriate training plan(s)

### Strategy Objectives

The Fund objectives relating to knowledge and skills are to:

- Ensure the pension fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives –

**The Committee Members** require an understanding of:

- Their responsibilities as an administering authority of a local government pension fund;
- The fundamental requirements relating to pension fund investments;

- The operation and administration of the pension fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the London Borough of Havering Pension Fund.

**Board members** are conversant with–

- The Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund
- and have knowledge and understanding of:
  - The law relating to pensions; and
  - Such other matters as may be prescribed

To assist in achieving these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and Code of Practice to meet the skill set within that Framework. Attention will also be given to the guidance issued by the Shadow Scheme Advisory Board, the Pensions Regulator and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's 3-year business plan. For example, funding training will be given immediately preceding the Committee or Board meeting that discusses the Funding Strategy Statement.

Board members will receive induction training to cover the role of a local pension board and understand the duties and obligations of a LGPS administering authority, including funding and investment matters.

All those with decision making responsibility in relation to LGPS pension matters and Board members will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified; and
- seek to maintain their knowledge.

### **Application of the training strategy**

This Training Strategy will apply to all Committee Members and representatives with a role on the Pension Committee and to all the Board members. Other officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

### **Purpose of training**

The purpose of training is to:

- Equip people with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Provide individuals with integrity;
- Meet the required needs in relation to the Fund's objectives.

### **Summary**

This training strategy:

- Assists in meeting the Fund's objectives;
- Meets the business plan;

- Will assist in achieving delivery of effective governance and management;
- Will equip those responsible with appropriate knowledge and skills;
- Promote ongoing development of the decision makers;
- Lead to demonstrating compliance with the CIPFA Knowledge and Skills Framework;
- Lead to demonstrating with statutory requirements and associated guidance

## Meeting the business plan

### Timely and relevant

There will be times in the year when different circumstances will require specific training. For example, funding training can be provided just prior to the Committee meeting that discusses the Funding Strategy Statement.

It is vital that training is relevant to any skills gap or business need and training should be delivered in a manner that fits with the business plan.

The training plan will therefore be regularly reviewed to ensure that training will be delivered where necessary to meet immediate needs to fill knowledge gaps.

## Delivery of Training

### Training resources

Consideration will be given to various training resources available in delivering training to the Committee Members, Board members or officers in order to achieve efficiencies. These may include but are not restricted to:

For Pension Committee and Local Pension Board Members	For Officers
<ul style="list-style-type: none"> <li>• In-house*</li> <li>• Self-improvement and familiarisation with regulations and documents</li> <li>• The Pension Regulator's e-learning programme</li> <li>• Attending courses, seminars and external events</li> <li>• Internally developed training days and pre/post Committee/Board sessions*</li> <li>• Shared training with other Funds or Frameworks*</li> <li>• Regular updates from officers and/or advisers*</li> <li>• Circulated reading material</li> </ul>	<ul style="list-style-type: none"> <li>• Desktop / work based training</li> <li>• Attending courses, seminars and external events</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)</li> <li>• Internally developed sessions</li> <li>• Shared training with other Funds or Frameworks</li> <li>• Circulated reading material</li> </ul>

\*These may be shared training events for Pension Committee and Local Pension Board members

### Training Plans

To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

Training Plans will be developed at least on an annual basis, as per the Business Plan. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, Fund events (e.g. the triennial valuation) and receipt of updated guidance.

Induction Training will be provided for all new officers with pensions responsibilities, members of the Pension Committee and Local Pension Board. This will involve covering the requirements of the Training Strategy alongside guidance and information on the requirements of their roles.

### External Events

As information on events becomes available, members will be advised by email.

After attendance at an external event, Committee Members and Board members will be expected to provide verbal feedback at the following Pension Committee/Board meeting covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Board members.

Officers attending external events will be expected to report to their direct line manager with feedback covering the following points:

- Their view on value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other officers.

## On-going development

### Maintaining knowledge

In addition to undertaking on-going assessment in order to measure knowledge and skills against the CIPFA requirements and identify knowledge gaps, Officers, Committee Members and Board members are expected to maintain their knowledge of on-going developments and issues through attendance at external events and seminars.

Appropriate attendance at events for representatives of the Pension Committee and Board will be agreed by the appropriate chairman.

If an event occurs and appropriate, members will be advised by email.

The Committee/Board will approve an appropriate level of credits for attendance at an event in relation to the type of event, its content and relevance to knowledge maintenance.

In any event, attendance at events/seminars (which may include some internal training sessions) that are not direct training courses focussed on the CIPFA Knowledge Skills Framework or issued guidance but enhance and improve related on-going and emerging pension knowledge will count as one credit for each session of up to a half day.

Where the Committee/Board members have work related experience or previous knowledge through former membership of a Committee or Board will be able to count this as credits in their own assessment and score accordingly.

There is a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding and hence the training and continued development will span the duration of the role.

Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Pension Committee in the near future or is subject to review by the Local Pension Board. These will also count as credits in maintaining knowledge.

As a measure of training given or knowledge level officers, Committee Members and Board members are expected to have a minimum level of training credits. These are as follows -

Relevant Group	Knowledge Skills level of attainment	The expected minimum level of credits over the 4 year term of office
Officers	Own sectional and personal development objectives	Own sectional and personal development objectives
Pension Committee and Local Pension Board Members	32 credits	8 credits

These will be measured and monitored annually by Pension Fund Accountant and reported in the Pension Fund Annual Report. Please see the appendix Knowledge and Skills – self assessment of training needs for basis of scoring.

## CIPFA Requirements

### CIPFA Knowledge & Skills Framework

In January 2010 CIPFA launched technical guidance for Elected Representatives on Pension Committees and non-executives in the public sector within a knowledge and skills framework. The Framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skill set for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS Funds.

### **CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")**

First published in October 2011 and redrafted in July 2013, CIPFA's Code of Practice embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Knowledge and Skills Code of Practice.

## **Guidance from the Scheme Advisory Board**

### **General Principles**

The Shadow Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's code of practice and published in January 2015 guidance in a local government context for administering authorities to support them in establishing their local pension board and this includes a section to enable it to help Board members to meet their knowledge and understanding obligations.

Knowledge and understanding must be considered in the light of the role of a Local Pension Board and the London Borough of Havering will make appropriate training available to assist and support Board members in undertaking their role.

### **Pension Committee Members**

Although the CIPFA knowledge and skills framework complements the code of practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of a Pension Committee. However it will be seen as good practice and governance if members of a Pension Committee use the knowledge and skills requirements set at a similar benchmark as the Local Pension Board.

### **Degree of Knowledge and Understanding**

The role of the Local Pension Board is to assist the administering authority. To fulfil this role, Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or codes of practice.

Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the London Borough of Havering Fund in enough detail to know where they are relevant and where it will apply.

### Acquiring, Reviewing and Updating Knowledge and Understanding

Board members should commit sufficient time in their learning and development and be aware their responsibilities immediately they take up their position. London Borough of Havering will therefore provide induction training for all new Board members which will also be available to new Committee Members.

### Flexibility

It is recognised that a rigid training plan can frustrate knowledge attainment when it is required for a particular purpose or there is a change in pension's law or new responsibilities are required of Board members. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

## Training records and certification

### Progress and achievement

Personalised training plans will be used to document and address any knowledge gaps and update areas of learning where required and assist in the acquisition of new areas of knowledge in the event of change.

Progress and achievement will be certificated at least on an annual basis individually to all Committee Members, Board members and officers. These will detail:

- The current assessment of an individual's acquired knowledge;
- Their progress against achieving the credits from other internal/external training or events; and
- All training courses and events attended by them to date.

## Risk

### Risk Management

The compliance and delivery of this training strategy is at risk in the event of –

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

## Budget

### Cost

A training budget will be agreed and costs will be met from the Pension Fund.

## PENSIONS COMMITTEE MEMBER TRAINING 2018/19

## ANNEX D

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
3 July 2018	Peter Worth – Understanding the role of the Pensions Committee	Town Hall	KSF 1	Paid for by OneSource – to be recharged to Havering	Cllr John Crowder (Chair) Cllr Melvin Wallace (Vice-Chair) Cllr Roger Ramsey Cllr Martin Goode (also Chair Audit cttee) Cllr Ron Ower Cllr Matt Sutton (also Vice- Chair Audit cttee)
24 July 2018	Officer - New Councillor Induction • plus Hymans “A brief Guide to the LGPS’	Town Hall	ALL	Officer Time	Cllr Ray Morgon Cllr Ron Ower
24 July 2018	Officer - New Councillor Induction – distribution of slides only	Town Hall	ALL	Officer Time	Cllr Matt Sutton
24 July 2018	Officers - Pension Fund Accounts 17/18 Briefing covered: • Overview of the Pension Fund Accounts	Town Hall	KSF 2	Officer Time	Cllr John Crowder (chair) Cllr Melvin Wallace (vice-chair) Cllr Martin Goode Cllr Ron Ower Cllr Ray Morgon Cllr Jan Sargent Cllr Gerry O’Sullivan Cllr David Durant Cllr Viddy Persuad (part)

## APPENDIX A

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
<b>20 August 2018</b>	Hymans – Direct Corporate Lending, covered: <ul style="list-style-type: none"> <li>• What is Direct corporate Lending</li> <li>• Why we are investing in this asset class</li> <li>• How to get exposure</li> <li>• bFinance - covered the manager selection process</li> </ul>	Town Hall – Prior to Special Pensions Committee meeting	KSF 3 KSF 5	Part of contract	Cllr John Crowder (chair) Cllr Melvin Wallace (vice-chair) Andy Hampshire (GMB union- employee rep)
<b>15 November 2018</b>	SPS Conferences Local Authority - Pension Fund Investment Strategies: <ul style="list-style-type: none"> <li>• Topical Issues</li> <li>• Income from Property &amp; Infrastructure- planning for cash flow negativity</li> <li>• Management of Assets – improving cost transparency</li> <li>• • LGPS Perspectives -current issues</li> </ul>	Le Meridien Hotel, Picadilly, W1	KSF 5	Free	Cllr Stephanie Nunn
<b>11 December 2018</b>	Officer - New Councillor Induction	Library	ALL	Officer Time	Cllr David Durant
<b>11 December 2018</b>	Hymans-ESG :Introductory Training: <ul style="list-style-type: none"> <li>• Introduction</li> <li>• Regulation</li> <li>• Application and Action</li> <li>• • Next steps: establishing a set of beliefs:</li> </ul>	Town Hall – Prior to Pensions Committee meeting	KSF 1 KSF 4 KSF 5	Part of contract	Cllr John Crowder (chair) Cllr Melvin Wallace (vice-chair) Cllr Ron Ower Cllr Stephanie Nunn Cllr David Durant Cllr Matt Sutton (part)