

London Borough of Enfield Pension Fund: Business Plan 2017 - 2021

Introduction

London Borough of Enfield is the Administering Authority of the Enfield Local Government Pension Scheme (LGPS). Management of the Pension Fund is delegated to the Pensions Policy & Investment Committee acting in the role of 'trustees' of the Pension Fund.

The day to day running of the Fund has been delegated to the Director of Finance Resources & Customer Services.

The purpose of this document is to set out a business plan for the Pension Fund for the period 2017-2021 and to outline the Fund's goals and objectives over the longer term and commitments to the Pooling of Investments in the London Collective Investment Vehicle (LCIV).

Objectives

The primary objectives of the Fund are:

1. Deliver a high quality and friendly information service to all beneficiaries, potential beneficiaries and employers;
2. Clear, appropriate and timely communication with all Stakeholders;
3. 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;
4. To help employers recognise and manage Pension liabilities as they accrue (addressing the different characteristics of disparate employers to the extent that is practical and cost effective);
5. Optimising the return on investment consistent with a prudent level of risk over the long term.

The London Borough of Enfield Pension Fund was valued at £1.2 billion as at the 31 March 2017.

Valuations are carried out every three years. The last valuation was as at 31 March 2016, with the next one 31 March 2019. These Valuations put value on the liabilities of the Fund and compare them with the market value of assets as part of the determination of employer contribution rates.

Chart 1 membership analysis

| | 31 March 2013 | 31 March 2014 | 31 March 2015 | 31 March 2016 | 31 March 2017 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Current Employees | 6,447 | 6,868 | 7,090 | 7,312 | 7,447 |
| Pensioners | 4,279 | 4,427 | 4,675 | 4,964 | 5,265 |
| Deferred Benefits | 5,452 | 5,760 | 6,270 | 6,592 | 7,978 |
| | 16,178 | 17,055 | 18,035 | 18,868 | 20,710 |

Source: Heywood Pensions Administration

Chart 2 Cash Flow

| Pension Fund Budget 2017-2020 | | | | |
|--------------------------------------|---------------------------------|-----------------|-----------------|-----------------|
| 2016/17 | | 2017/18 | 2018/19 | 2019/20 |
| Actual | | Estimate | Estimate | Estimate |
| £000 | | £000 | £000 | £000 |
| 9,475 | Employee contributions | 8,800 | 9,000 | 9,200 |
| 29,242 | Employer contributions | 30,000 | 30,800 | 31,300 |
| 1,338 | Early retirements | 500 | 500 | 500 |
| 181 | Transfers in | 2,000 | 1,000 | 1,000 |
| 40,236 | Total Income | 41,300 | 41,800 | 42,000 |
| (30,239) | Pensions | (32,200) | (33,400) | (34,500) |
| (9,829) | Retirement/death grants | (5,000) | (5,000) | (5,000) |
| (1,038) | Transfers out | (2,000) | (1,000) | (1,000) |
| (735) | Admin costs | (750) | (760) | (770) |
| (254) | Oversight & Governance | (190) | (180) | (240) |
| (42,095) | Total Expenditure | (40,140) | (40,340) | (41,510) |
| (1,859) | Net Surplus/(Deficit) | 160 | (40) | (1,110) |
| 20.9% | Employers contribution % | 23.9% | 24.5% | 24.9% |

Chart 3 Asset Allocation 31 March 2017

| Asset Class | Actual Position 31st March 2017 % | Target Weighting % | Expected Return (per annum) | Control Range |
|--|---|-----------------------------------|--|--------------------------|
| Equities (including Private Equity 5%) | 48 | 40 | 8-11% | ±10% |
| Bonds | 23 | 29 | 4-5% | ±10% |
| Hedge Funds | 16 | 15 | 9-11% | ±5% |
| Property (UK) | 7 | 10 | 9% | ±5% |
| Infrastructure/PFI | 3 | 6 | 9% | ±3% |
| Cash | 3 | - | - | - |
| Total | 100 | 100 | | |

Business Plan 2017–2021

In order to meet the objectives of the Pension Fund, the Business Plan has to be put into the context of a period of significant uncertainty for the Fund. This incorporates not only the volatile investment markets, but also Scheme changes which came into effect in 2014, along with wider changes to the pension scene which include auto-enrolment and workplace pensions and investment pooling.

Set out in the table below is the 4 year business plan for the Pension

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|-------------|-------------|-------------|-------------|
| Pension Administration | | | | |
| Valuation- collection of data | | | Apr to Jul | |
| Valuation results to employers | | | Sept to Mar | |
| Auto-Enrolment | Apr to Mar | Apr to Mar | Apr to Mar | Apr to Mar |
| Guaranteed Minimum Pension Review | Apr to Mar | Apr to Oct | | |
| Monthly submission of data from employers (i connect) | Oct to Mar | Apr to Mar | Apr to Mar | Apr to Mar |
| Quarterly Pension Administration performance review | Quarterly | Quarterly | Quarterly | Quarterly |
| Communications | | | | |
| Member Self-service | Aug to Dec | | | |
| Annual Benefits Statements | Jul to Aug | Jul to Aug | Jul to Aug | Jul to Aug |
| Communication Policy review | Aug to Dec | | Aug to Dec | |
| Employer meeting | December | December | December | December |
| Fund member meeting | November | November | November | November |
| Governance | | | | |
| Pension Fund Accounts | Apr to June | Apr to May | Apr to May | Apr to May |
| Approve Final Pension Annual report | Sept | Sept | Sept | Sept |
| Review Risk Register | May | May | May | May |
| Investment strategy tatement | Aug | Aug | Aug | Aug |
| Setting & reviewing member's training programme | May | May | May | May |
| Review AVC provider | | | December | |
| Market test investment adviser | | Apr to June | | |
| Investment consultant service re-tender | | | June to Oct | |
| Actuary service re-tender | | | | June to Oct |
| Governance CIPFA Review (including risk, responsible investor and Pooling) | Sept | Sept | Sept | Sept |
| AVC provider review | | June | | |
| Audit employer payrolls | Nov | | Nov | |
| Pension Regulators KPI's | Nov | Nov | Nov | Nov |
| Investments | | | | |
| Asset allocation review | | | Nov to Mar | |
| Investment strategy statement | On-going | On-going | On-going | |
| Qualitative review of asset allocation | Nov | Nov | | |
| Investment performance review | Quarterly | Quarterly | Quarterly | |
| Investment Pooling | Apr to Mar | Apr to Mar | | |
| Funding | | | | |
| Triennial valuation | | | July-Dec | |
| Fund maturity and liabilities profiling and monitoring | March | March | March | |

Attached at Appendix 1 to this report is an indicative work plan for the Pension Policy & Investment Committee for the financial year 2016/17. The work plan provides a more detailed indication of the short term priorities, that link to the longer term business plan.

| Appendix 1 | |
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| Meeting Agenda Item | |
| 22nd May 2017 | |
| Standing Items: | |
| Review of Fund performance Q1 2017 | |
| Manager review :Blackrock Property | |
| Risk Register – Review | |
| Pension Fund budget & cash flow | |
| LGPS Pooling update | |
| Other Business Items | |
| Business plan 2017/18 – 2020/21 | |
| Continuous Professional Development (CPD) Plan | |
| August 2017 | |
| Standing Items: | |
| Review of Fund performance Q2 2017 | |
| Manager review | |
| Review of business plan | |
| Risk Register – Review | |
| Pension Fund – Continuous Professional Development (CPD) update | |
| Cash Flow Monitoring to June 2017 | |
| LGPS Pooling update | |
| CPD update | |
| Other Business Items | |
| Asset Liability review (including Benchmark review) | |
| Draft accounts & Annual report | |
| Review Investment Strategy Statement | |
| Communication Policy Review | |
| November 2017 | |
| Standing Items: | |
| Review of Fund performance Q3 2017 | |
| Manager review | |
| Review of business plan | |
| Risk Register – Review | |
| Pension Fund – Continuous Professional Development (CPD) update | |
| Cash Flow Monitoring to September 2017 | |
| LGPS Pooling update | |
| CPD update | |

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| Other Business Items |
| Pensions Administration – Performance Update |
| Guaranteed Minimum Pension update |
| |
| February 2018 |
| Standing Items: |
| Review of Fund performance Q4 2017 |
| Manager review |
| Review of business plan |
| Risk Register – Review |
| Pension Fund – Continuous Professional Development (CPD) Plan |
| Cash Flow Monitoring to December 2017 |
| LGPS Pooling update |
| CPD update |
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