

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 27 January 2022**

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**Subject: Draft Pension Fund Business Plan and PPIC Work Plan for 2022/23**

**Cabinet Member: Cllr Maguire**

**Executive Director: Fay Hammond**

**Key Decision: [ ]**

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**Purpose of Report**

1. The purpose of this report is to review the 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 Enfield Pension Fund.
2. The Executive Director of Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters.
3. The London Borough of Enfield 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.

**Proposal(s)**

4. Pension Policy and Investments Committee are recommended to:
  - a) note and approve the Business Plan attached as Appendix 1 to this report;
  - b) note and approve the work plan for 2022/23 attached as Appendix 2; and
  - c) To note Asset Managers Monthly Meeting Schedule at Appendix 3.

**Reason for Proposal(s)**

5. 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.

6. The proposed business plan and budget 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 and the budget are not intended to cover all aspects of Pension Fund administration and management; rather they are designed to assist with meeting part of its delegated function as administering authority to the Fund.
7. The Pension Policy and Investment 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.

### **Relevance to the Council's Corporate Plan**

8. Good homes in well-connected neighbourhoods.
9. Build our Economy to create a thriving place.
10. Sustain Strong and healthy Communities.

### **Background**

#### **OVERVIEW OF THE WORK OF THE COMMITTEE**

11. 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.
12. The key decision making for, and management of, the Fund has been delegated by the London Borough of Enfield (the Council) to a formal Pension 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.
13. 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.
14. **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.

15. **Governance Objectives**
- i) 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.
  - ii) The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
  - iii) To understand and ensure compliance with all relevant legislation.
  - iv) To ensure the Fund aims to be at the forefront of best practice for LGPS funds
  - v) Ensures the Fund manages Conflicts of Interest
16. **Funding Objectives**
- vi) To ensure the long-term solvency of the Fund.
  - vii) To help employers recognise and manage pension liabilities as they accrue.
  - viii) 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.
  - ix) To use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer 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).
17. **Investment Objectives**
- x) Optimising the return on investment consistent with a prudent level of risk
  - xi) Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
  - xii) Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
  - xiii) Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
  - xiv) 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.
18. **Administration Objective**
- xv) To deliver an efficient, quality and value for money service to its scheme employers and scheme members.
19. **Communications Objective**
- 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**

20. 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 Pension Policy and Investment Committee Work Plan was developed using the business plan attached as appendix 1 to this report.
21. Following on from our ESG position with an increased expectation from cabinet/council, the Committee are still consulting with Aon Responsible Investment Specialist to define and set ESG targets to assist in monitoring the Fund ESG positions. Two workshops will be dedicated to work on this prior to September and November meetings.
22. The Committee members are meeting with Asset Managers every month for clarification and better understanding of each fund manager responsible Investment Policy and how they can work effectively with the Fund.
23. An annual Work Plan will be presented to the Committee for agreement. The Work Plan should be presented to the Committee by the last Committee meeting of the prior financial year to which the Work Plan applies.

#### **Safeguarding Implications**

24. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

#### **25. Public Health Implications**

26. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

#### **Equalities Impact of the Proposal**

27. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

#### **Environmental and Climate Change Considerations**

28. There are no environmental and climate change considerations arising from this report.

#### **Risks that may arise if the proposed decision and related work is not taken**

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

31. Lack of robust governance inevitably involves a degree of risk. The successful identification, monitoring and control of risk are therefore central to the Council's pension fund management.

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

32. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

**Financial Implications**

33. This report revised the work plan with updated timetable for the development of the Fund's 2021 Investment Strategy review. The development of a robust investment strategy helps the Fund to take an ordered and prudent approach to the management of its assets, helping to manage the long term costs associated with the Pension Fund.
34. Spending time developing the investment strategy helps to ensure that the Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

**Legal Implications**

35. 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.
36. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.
37. One of the functions of the Pension Policy and Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate having regard to these matters, for the Committee to receive information about budgetary matters. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.
38. Members of this 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.

39. When making decisions regarding investment of pension funds, 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).

#### **Workforce Implications**

40. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

#### **Property Implications**

41. None

#### **Other Implications**

42. None

#### **Options Considered**

43. 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.

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#### **Appendices**

Appendix 1 – Enfield Pension Fund Business Plan

Appendix 2 – Pension Policy and Investment Committee Work Plan for 2022/23

Appendix 3 – Asset Managers Monthly Meeting Schedule

**Background Papers - None**

## Appendix 1

### BUSINESS PLAN 2022-2025

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 2022-2025. 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 Enfield for the management of the Enfield 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 three year business plan for the Pension Fund:

|   | 2022/23                  | 2023/24                  | 2024/25                  | Primary Objective Reference (s) |
|---|--------------------------|--------------------------|--------------------------|---------------------------------|
| <b>Governance Objectives</b>                        |                          |                          |                          |                                 |
| Draft Pension Fund Accounts                         | March - May              | March - May              | March - May              | 1,2,3,7,13,15,16                |
| Approve Final Pension Fund Annual Report & Accounts | June - November          | June - November          | June - 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                                | Quarterly                | Quarterly                | Quarterly                | 1,2,5,6,7,8,9,10,11,12,13       |
| TPR Code of Practice                                | Quarterly                | Quarterly                | Quarterly                | 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                        |
| Training Policy Review                              | November – February      | November – February      | November – February      | 1,3,4                           |

|  | 2022/23              | 2023/24         | 2024/25         | Primary Objective Reference (s) |
|--|----------------------|-----------------|-----------------|---------------------------------|
| Pensions Board –Annual Reporting                                 | Mar - July           | Mar - July      | Mar - July      | 1 - 16                          |
| Review Performance, funding and budget                           | Quarterly            | Quarterly       | Quarterly       | 1 - 16                          |
| AVC Review   | April - June         |                 | April - June    | 1,2,3,4,5                       |
| Review Reporting Breaches Policy                                 | September            | September       | September       | 10,15,16                        |
| Review Conflicts of Interest Policy Review                       | September            | September       | September       | 5                               |
| Creation & Review Cessation Policy                               | April - June         | April - June    | April - June    | 5,6,7,8,9,15,16                 |
| <b>Funding Objectives</b>  |                      |                 |                 |                                 |
| Preparation and Update of Actuarial Valuation                    | As Required          | As Required     | As Required     | 5,6,7,8,9,15,16                 |
| Review of Funding Strategy Statement                             | As Required          | As Required     | As Required     | 5,6,7,8,9,15,16                 |
| <b>Investments Objectives</b>                                    |                      |                 |                 |                                 |
| Review Investment Strategy Statement                             | February - September | As required     | As required     | 1,3,10,11,12,13,14,15,16        |
| Responsible Investment Policy Review                             | February - September | As required     | As required     | 1,3,10,11,12,13,14,15,16        |
| Monthly Meeting with Asset Managers                              | Ongoing              | Ongoing         | Ongoing         | 1,4,6,8,9,10,11,12,13,14        |
| Investment in Paris Aligned and Alternative Fixed Income         | April - June         |                 |                 | 1,2,4,10,11,12,13,14,15         |
| Investment in Clean Energy, Renewable Energy and or Private Debt | July - December      |                 |                 | 1,2,4,10,11,12,13,14,15         |
| Review Investment Consultancy Contract                           | June                 | June            | June            | 5,10,11,12,13,14,15             |
| Review Actuarial Services Contract                               | September            | September       | September       | 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   | Dec - June           | Dec - June      | Dec - June      | 5,6,7,8,9,15,16                 |
| Pension Fund Treasury Management Strategy                        | February - June      | February - June | February - June | 1,9,10,11,12,13,14,15           |
| Investment Performance Review                                    | Quarterly            | Quarterly       | Quarterly       | 1,2,4,10,11,12,13,14,15         |
| Individual Manager Review  | Monthly              | Monthly         | Monthly         | 1,2,4,10,11,12,13,14,15         |



|  | 2022/23         | 2023/24         | 2024/25         | Primary Objective Reference (s) |
|--|-----------------|-----------------|-----------------|---------------------------------|
| 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         |
| <b>Pension Administration</b>              |                 |                 |                 |                                 |
| Pension Administration Strategy            | April - June    | January – March | January – March | 1,2,3,7,9,15,16                 |
| McCloud Remedial Judgement Monitoring      | June - December | June - December | June - December | 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 - June    | April - June    | April - June    | 1,2,3,4,5,9,10,15,16            |
| Admitted Bodies Policy                     | September       | September       | September       | 1,2,3,4,5,9,10,15,16            |
| Employing Authority Discretions            | April - June    | April - June    | April - June    | 1,2,3,4,5,9                     |
| <b>Communications</b>                      |                 |                 |                 |                                 |
| Annual Benefit Statements                  | August          | August          | August          | 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                     |
| Annual General Meeting (AGM)               | January - March | June/July       | June/July       | 1,2,3,4,7,8,9,15,16             |