

**PENSION FUND
COMMITTEE**

**BUSINESS PLAN
FOR
PENSION FUND
2023/24**



1. Introduction

The 1972 Superannuation Act empowers the Secretary of State for Communities and Local Government to make regulations to provide for the pension arrangements of Local Government employees. The scheme is open to all employees with the exception of teachers who have separate arrangements.

The London Borough of Redbridge is the Administering Authority of the London Borough of Redbridge Local Government Pension Scheme (LGPS). Management of the Pension Fund is delegated to the Pension Fund Committee acting in the role of “trustees” of the Pension Fund. The day to day running of the Fund has been delegated to the Corporate Director of Resources. The Resources division has responsibility for all aspects of the day to day running of the Fund including administration, investments and accounting.

The scheme is funded by contributions from employees as a percentage of pensionable pay (set by statute), contributions from employers (set by the Actuary), dividends, interest, and profits from the Pension Fund’s investments. Contributions to the Pension Fund are invested until they are required to pay pension benefits. Regulations in respect of Pension Fund investment management are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any amendments thereto.

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

2. Governance & Management of the Fund

Key decision making and management of the Fund has been delegated by the London Borough of Redbridge (the Council) to the Pension Fund Committee. The Pension Fund Committee is supported by the Corporate Director of Resources, other officers of the Council and independent professional advisers.

The Pension Fund Committee meets at least four times a year and oversees the management of the Pension Fund including its investments. The Pension Fund Committee consists of five Members who are appointed annually by the Council. Under the Council’s Constitution, the role for the Pension Fund Committee is as follows:

- “To be responsible for the overall investment policy, strategy and operation of the fund and its performance, including taking into account the profile of the Fund’s liabilities.

The Corporate Director of Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters. A local Pension Board has also been established. Their role is to assist the Administering Authority to:

- secure compliance of Fund matters including any requirements imposed in relation to the LGPS by the Pensions Regulator and,
- ensure the efficient and effective governance and administration of the Fund.

3. Stakeholders of the Fund

The Fund’s customers fall into three categories:

a) **Scheme Members:**

- Actives (6,303)

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- Deferred (8,844)
 - Pensioners (4,806)
 - b) **Employers of the Scheme Members:**
 - Scheduled (20)
 - Admitted (10)
 - c) **Regulatory Bodies and Stakeholders:**
 - LGPS Scheme Advisory Board
 - Ministry for Housing, Communities and Local Government (MHCLG)
 - HM Revenue and Customs
 - The Department of Works & Pensions
 - Investment Managers, Actuaries & Investment Advisers, the Custodian

(Membership details reported above are as at 31 March 2022 as reported in the Pension Fund Annual Report.)

4. **Management of the Pension Fund Investments**

The key objectives, as set out in the Pension Fund's Investment Strategy Statement, are to:

- maximise investment returns over the long term within an appropriate level of risk and volatility; in order to:
- secure and maintain an investment rate of return, which will count towards meeting the Council's current and future obligations and liabilities to make pension payments; which will
- contribute towards keeping the burden on the Council's General Fund and therefore the council taxpayer as low as possible.

In order to achieve these objectives, the Pension Fund Committee has appointed external investment management firms (either directly or via the pooling arrangement with the London CIV), to manage the Pension Fund's assets with each Investment Manager being set specific investment objectives.

In order to monitor whether the Investment Managers are meeting these objectives, the Fund makes use of an external performance measurement firm to measure the performance of the Pension Fund's assets. The Pension Fund Committee meet periodically with the investment managers to discuss performance and related investment issues. During times of market volatility, the asset allocation may significantly vary from the strategic allocation and therefore the Pension Fund Committee may suspend rebalancing the fund.

5. **Review of the Business Plan 2022/23**

The Pension Fund Committee approved the Pension Fund's Business Plan in February 2022. It set out the key tasks that the Pension Fund Committee would seek to undertake during the year. These included pension fund management, performance monitoring, corporate governance activities and other standard investment issues.

The Pension Fund Committee met five times during 2022/23 and the following matters were considered:

- **The 2021/22 Pension Fund Annual Report;**
- **Monitored and reviewed the performance of the Fund and Investment Managers;**
- **Monitored the development and investments held with the London Collective Investment Vehicle (LCIV);**
- **Received presentations from the fund managers of four of the Fund's portfolios;**
- **Received a presentation from the Actuary regarding the Triennial Valuation;**
- **Member development on a number of topical investment issues.**

The table as set out in Appendix 1 provides details on Key Tasks and how these were achieved.

6. **Undertaking the Key Tasks**

The Pension Fund Committee is scheduled to meet five times during 2023/24 and seek to continue to build on the good foundations previously established.

The following objectives have been identified for 2023/24:

- **Monitoring and Review**
- **Governance and Compliance**
- **Administration**
- **Risk Management**
- **Training**

The table set out in Appendix 2 provide more details on these tasks and identifies how the task link with the Fund's objectives.

A timetable for the meetings for 2023/24 is attached at Appendix 3.

7. Budget for 2023/24

The Pension Fund Committee seeks to monitor the Fund's cash-flow and future projections as this has implications to the Funding Strategy Statement and may influence decisions regarding the Investment Strategy.

A review of the current level of income and expenditure has been undertaken and it is predicted that there will be sufficient income to meet the expenditure as shown in the table below:

The budget will be monitored regularly and reported to the Pension Fund Committee.

Forecast Outturn 2022/23 £m	Expenditure	2023/24 Annual Budget £m
6.409	Retirement Grants	£6.200
31.720	Pension Payroll	£35.162
6.980	Transfer Values	£6.500
0.475	HR Recharge	£0.535
0.593	Other Admin Expenses	£0.600
0.005	Training	£0.015
2.772	Investment Expenses	£3.500
21.550	Investment	£24.000
70.504	TOTAL EXPENDITURE	£76.512
		2023/24 Annual Budget £m
	Income	
(39.950)	Contributions	(£35.500)
(6.385)	Transfer Values	(£5.000)
(0.199)	Early Retirement Pension Strain	(£0.200)
(5.376)	Income from Investment Managers	(£6.000)
(16.100)	Disinvestment from Fund Managers	(30.000)
(68.010)	TOTAL INCOME	(£76.700)
(2.645)	Balance brought forward	(0.151)
(0.151)	DEFICIT / (SURPLUS)	(£0.339)

8. Training and Development

One of the requirements of CIPFA's Principles for Investment Decision Making is that all Members of the Pension Fund Committee have sufficient knowledge to make investment decisions and challenge the advice that they are given. This requires the Pension Fund Committee to have gained a familiarity with pension issues through a programme of training and development. CIPFA has also produced, in consultation with the MHCLG, a Skills and Knowledge Framework that provides recommendations on the levels of knowledge required by the Members and Officers charged with the responsibility for dealing with pension matters.

The Pension Fund Committee received training and development in conjunction with each of the key decisions made in 2022/23 and this will continue throughout 2023/24. This will have the advantage of co-ordinating training and development with the key tasks contained within this business plan and ensures that it meets Members' requirements. Training will be commissioned as and when required to achieve the levels of knowledge recommended in the CIPFA Framework. Training is available from a variety of sources such as:

- External courses;
- Training sponsored by the Investment Managers;
- Training delivered by Investment Consultants;
- Training included as part of the service received from Actuary;
- Partnership arrangements with other Local Authorities to deliver training on common themes;
- E-learning;
- National conferences.

In addition, the Pension Fund Committee will be kept abreast of current issues and topical events by receiving articles and other relevant literature provided by external Pension Professionals, Government and Regulatory bodies, and in-house Officers. Information will be provided in both paper and electronic format.

The combination of the training and development methods detailed above will provide Members with the necessary skills to make decisions on Pension Fund issues. Training and development is a legitimate expense, chargeable to the Pension Fund.

KEY TASKS – 2022/23**Appendix 1**

	ACTION	HOW THIS WAS ACHIEVED	LINK TO OBJECTIVE
	On-going Tasks (Business as usual)		
1	Produce Annual Report & Accounts	The LGPS Regulations require the publication of an Annual Report by 1 December. The Annual Report and Accounts were prepared in July and currently in the process of being audited by EY. As the auditors have not as yet issued their report, the draft Annual Report and Accounts have been published on the Council's website.	Communications strategy
2	Monitor and Review the Performance of the Fund and Investment Managers	Members reviewed the performance of the Fund and its individual investments managers at the quarterly meetings. Monitoring of the individual managers will continue as the Fund strives to improve the returns on its investments and achieve its investment objective. Members received presentations from both Schroders and Baillie Gifford regarding the portfolios that they manage on behalf of the Pension Fund.	Governance Compliance Statement ensuring transparency on decision making process
3	Monitor the development of the London CIV.	Members received updates on the asset classes and investments products that became available via the London Collective Investment Vehicle (LCIV).	Managing the risk to the Pension Fund
4	Monitoring contracts	The tender for the Investment Advisory Services has been postponed and will be undertaken in 2023/24.	Ensuring compliance with statutory requirements.
5	Member Training	Members received training from the Investment Advisers on a range of topical issues. This ensures that Members can consider varying investment strategies, challenge the advice given and therefore make informed decisions.	Links to Training Policy

KEY TASKS – 2023/24**Appendix 2**

	ACTION	HOW THIS WILL BE ACHIEVED	LINK TO OBJECTIVE
	On-going Tasks (Business as usual)		
1	Keep Employers informed.	To provide updates on the Pension Fund website.	Communications strategy.
2	Publish Committee Papers and ensure investment performance is monitored.	Committee papers will be published on the Council's website in advance of the meeting.	Governance Compliance Statement ensuring transparency on decision making process.
3	Annual Review of Policy Statements.	To undertake a review of the Fund's various Policy Statements to ensure that the statements reflect any developments within the Fund and its management.	Links to LGPS Regulations.
4	Monitor the Annual Budget for the Pension Fund.	To monitor the Annual Budget reflecting anticipated income and expenditure during 2023/24.	Cash-flow management – link to Funding Strategy Statement.
5	Respond to Government consultations and initiatives.	Participation with the London CIV when a collaborative response is appropriate.	
6	Ensure adequate training is provided.	A training policy will be prepared in consultation with Members. Seek appropriate training from Investment Managers, Investment Advisers and other appropriate bodies.	Link to Training policy.
7	Manage Risks.	A regular review of the Risk Register to identify any areas of concern and seek to reduce those risks to manageable levels.	Link to Risk Register.
8	Produce Annual Report & Accounts.	Maintain good communication with all relevant parties to ensure that information is received in a timely manner to ensure deadlines are achieved.	Ensure compliance with statutory requirements and deadlines.
9	Monitor investment strategy.	Monitor strategic asset allocation and implements changes to investment strategy where required. Consider manager performance and the appropriateness of current mandates.	Investment Strategy and Funding Strategy.
10	Monitor the arrangement with the London CIV.	Regular meetings with representatives of the London CIV. Keep abreast of statutory requirements regarding pooling.	Investment Strategy ensuring value for money and managing risk

11	Monitor Fund Administration arrangements.	Receive regular reports on the performance of the administration function and compliance with regulatory requirements.	Link to LGPS Regulations, Pension Regulator's requirements and the Pensions Administration Policy.
Specific Tasks for 2023/24			
12	Publish a Responsible Investor Policy statement.	A specific statement will be published setting out the Fund's approach as a Responsible Investor.	Link to Investment Strategy.
13	Appointment of the Investment Advisory Contract	To undertake a tender process for the Investment Advisory Contract	Link to Governance Policy

Appendix 3

DATE	AGENDA ITEMS	TRAINING & DEVELOPMENT
May 2023 Quarterly Meeting	<ul style="list-style-type: none"> • Performance Monitoring Quarterly performance report of the Pension Fund and Investment Manager's Report from the Fund Manager. • Other Items Current updates and developments 	LGPS Regulations - Governance Governance of the Pension Fund Topical Updates
July 2023 Special Meeting	<ul style="list-style-type: none"> • Review of the Annual Report and Accounts 2022/23 	
September 2023 Quarterly Meeting	<ul style="list-style-type: none"> • Performance Monitoring Quarterly performance report of the Pension Fund and Investment Manager's Report from the Fund Manager. • Other Items Update on Triennial Valuation Results Current updates and developments 	LGPS Regulations - Investments Investments & Pooling Topical Updates
November 2023 Quarterly Meeting	<ul style="list-style-type: none"> • Performance Monitoring Quarterly performance report of the Pension Fund and Investment Manager's Report from the Fund Manager. • Other Items Current updates and developments 	Investment Strategy – including Responsible Investment & Risk Management Topical Updates

**February 2024
Quarterly Meeting**

- **Pension Fund Management**
Review of Fund Performance.
- **Performance Monitoring**
Quarterly performance report of the Pension Fund and Investment Manager's Report from the Fund Manager.
- **Other Items**
Review the Business Plan for 2024/25
Review of Knowledge & Skills Framework.
Review of Policy Statements
Publish the Responsible Investor Policy Statement
Current updates and developments

**LGPS Regulations - Administration
Administration of the Pension
Fund**

Topical Updates