

London Borough of Hammersmith and Fulham Fund

Business Plan 2021/22

Introduction

The Myners Report to HM Treasury, published in March 2001, recommends that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.

Estimates are based on current investment allocations and expected expenses based on historic information and available forecasts. Investment allocations are subject to change, impacting management expenses.

Strategic medium-term objectives are grouped under the following headings:

- Administration and communication;
- Actuarial / funding;
- Pensions Sub-Committee;
- Local Pension Board;
- Risk management.

In order to meet objectives, a timetable of performance indicators has been agreed and an outturn report will be presented to the Pensions Sub-Committee to update members on progress.

2021/22 Forecast Expenditure

	Company Name (If Applicable)	2019/20	2020/21	2021/22
		Actual	Estimate*	Estimate
		£000	£000	£'000
Administration				
Employees		-	40	260
Supplies and services		374	387	320
Other costs		3	5	5
		377	432	585
Governance and oversight				
Employees		446	463	170
Investment advisory services	Deloitte	68	100	125
Governance and compliance		134	160	160
External audit	Grant Thornton	25	27	30
Actuarial fees	Barnett Waddingham	79	95	95
Training		-	-	10
		752	845	590
Investment Management				
Management, Performance and Transaction fees				
	Legal & General	99	210	205
	LCIV Absolute Return	1,048	1,500	1,185
	LCIV Global Bond Fund	211	245	265
	LCIV Global Sustain Fund	0	520	865
	Partners Group	1,137	1175	1,175
	ASI Long Lease	259	260	265
	ASI MSPC	0	180	180
	Oak Hill Advisors	622	485	600
	Aviva	166	175	180
	Northern Trust	28	35	35
	Other	1,165	340	570
		4,735	5,125	5523
Total		5,864	6,402	6,698

* Estimate is currently based on charges made as at PD 9 and approximate adjustments made

Administration and Communication

The LBHF Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with secondary legislation.

The administration of the Fund has been undertaken by Surrey County Council since 2015. It was decided to terminate the delegation agreement from 31 January 2022, with services being provided by the Local Pension Partnership from 31 January 2022 onwards.

Objectives

1. Ensure the scheme is run in accordance with agreed service standards and in compliance with Regulations;
2. Deliver a high quality, cost effective pension administration service;
3. Collaborative working with outsourced parties;
4. Successful transition to in-house team following exit from Surrey County Council.

	Actions	Timeline	Responsibility	Overseen by
A	Annual review and publication of the Pensions Administration strategy	31/3/22	Eleanor Dennis	Dawn Auger
B	Compliance and reporting of key service performance indicators (KPIs)	31/3/21	Eleanor Dennis	Dawn Auger
C	Review and publication of communication policy	31/3/22	Eleanor Dennis	Dawn Auger
D	Annual report and accounts published on website	1/12/21	Patrick Rowe	Matt Hopson
E	Freedom of information (FOI) requests responded to within statutory deadline	Ongoing	Patrick Rowe	Matt Hopson

Actuarial / Funding

The Fund is responsible for commissioning triennial actuarial valuations of the Pension Fund regarding the funding status and level of employers' contributions necessary to fully fund the Pension Fund. Actuarial services are currently subject to tender and will be awarded starting 1 April 2021 for five years.

Objectives:

1. Monitor the funding level of the Scheme, including a formal actuarial valuation every three years (next valuation as at 31 March 2022);
2. Monitor and reconcile contribution payments to the Scheme by the employers and scheme members;
3. Understand legislative changes which will impact on funding.

	Actions	Timeline	Responsibility	Overseen by
A	Provide employers with IAS19/FRS102 funding statements in line with employer year end.	March 21 July 21 August 21	Patrick Rowe	Matt Hopson
B	Funding level to be reported to Pensions Sub-Committee quarterly.	Quarterly	Patrick Rowe	Matt Hopson
C	Monitor and reconcile employer contributions remittances with the pension fund bank statement.	Monthly	Alastair Paton	Matt Hopson
D	Member training to cover actuarial funding issues.	Ongoing	Mathew Dawson	Phil Triggs
E	Funding strategy reviewed and updated	March 21	Matt Hopson/Phil Triggs	Pensions Sub-Committee

Pensions Sub-Committee

Investment allocation decisions are delegated to the Pensions Sub-Committee who oversees the management of the Fund's assets. The Pensions Sub-Committee appoints fund managers and advisors to assist in reviewing the overall strategic asset allocation, ensuring its suitability and the diversification of assets.

Objectives

1. Members should be equipped with the correct training and experience to make investment decisions;
2. Members should be provided with timely information on investment performance against agreed benchmarks;
3. Meetings should be run efficiently to ensure decisions are made clearly and effectively;
4. Suitability and diversification of the overall investment strategy and strategic asset allocation of the pension fund should be ensured, reporting to Council as necessary.

	Actions	Timeline	Responsibility	Overseen by
A	Train and develop all members to enable them to perform their duties effectively.	Ongoing	Mathew Dawson	Phil Triggs
B	Committee papers to be issued to members five working days prior to meeting, and minutes to be circulated in a timely manner.	Quarterly	David Abbot	Rhian Davies
C	Committee meetings should include the investment advisor as appropriate	Ongoing	Patrick Rowe	Matt Hopson
D	Manager monitoring reports to be presented to Pensions Sub-Committee members.	Quarterly	Patrick Rowe	Matt Hopson
E	Pensions Sub Committee to receive quarterly investment monitoring reports.	Quarterly	Patrick Rowe	Matt Hopson
F	Review and implement asset allocation, rebalancing where necessary.	Quarterly	Phil Triggs	Pensions Sub-Committee
G	Review, implement and publish the Investment Strategy Statement.	Annually	Phil Triggs	Pensions Sub-Committee
H	Respond to all government consultations and report to the Pensions Sub-Committee as necessary.	As appropriate	Phil Triggs	Pensions Sub-Committee

Local Pension Board

Under Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the LGPS Regulations 2013, a Local Pension Board must be established. The Local Pension Board meets three times a year and assists in the governance and administration of the Fund.

Objectives

1. Ensure the Local Pension Board is constituted and functions within the Regulations;
2. Help facilitate the effective operation of the Local Pension Board.

	Actions	Timeline	Responsibility	Overseen by
A	Provide Local Pension Board members with access to training offered to Pensions Sub-Committee members.	Ongoing	Mathew Dawson	Phil Triggs
B	Comply with any requests from the Local Pension Board with regard to any aspect of the Scheme Manager function.	Ongoing	Phil Triggs	Pensions Sub-Committee
C	Pass on recommendations made by the Pensions Sub-Committee to the Local Pension Board within a reasonable period of time.	Ongoing	Phil Triggs	Pensions Sub-Committee

Risk Management

In line with the best practice and the Pension Regulator's (tPR's) Code of Practice, the Pension Fund maintains a risk register to identify and monitor short and long-term risks to the Fund.

Investment assets are managed by external investment managers, with segregated assets held by an independent global custodian.

Objectives

1. Properly record financial transactions and produce an annual report and accounts within six months of the year end.
2. Monitor and report fees against an agreed budget.
3. Assess the risk associated with the management of the Scheme.

	Actions	Timeline	Responsibility	Overseen by
A	Monitor Pension Fund expenses for the year against the agreed forecast.	March 21	Patrick Rowe	Matt Hopson
B	Produce an Annual Statement of Accounts and achieve an unqualified audit.	Sep 21/22	Patrick Rowe	Matt Hopson
C	Ensure ongoing risk assessments of the management of the Fund.	Ongoing	Patrick Rowe	Matt Hopson
D	Review MiFID documentation to ensure the Fund retains its professional investor status.	Ongoing	Patrick Rowe	Matt Hopson
E	Obtain independent internal controls assurance reports for investment managers and fund global custodian.	March 21	Patrick Rowe	Matt Hopson
F	Approve the Risk Register	Quarterly	Phil Triggs	Pension Board

Further Information

As per the requirements of the Competition Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. A set of consultant objectives were drawn up for the investment advisor, Deloitte, and approved by the Pensions Sub-Committee in November 2019.

In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years, or when there has been a material change in the investment approach. Annex 1 details these objectives and assessed performance as at November 2020.

Timetable

LOCAL PENSION BOARD	
Meeting Date	Report Deadline
9th June 2021	31 May 2021
9th Feb 2022	31 Jan 2022

Pensions Sub-Committee	
Meeting Date	Report Deadline
28th June 2021	17 June 2021
20th Sept 2021	9 Sep 2021
23rd Nov 2021	11 Nov 2021
28th Feb 2022	17 Feb 2022