

PENSIONS COMMITTEE

13 December 2023

Title: London Borough of Barking and Dagenham Pension Fund Business Plan 2024 to 2026	
Report of the Strategic Director, Finance & Investment	
Public Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Director: Nish Popat – Deputy Section 151 Officer	
Accountable Strategic Director: Jo Moore, Strategic Director, Finance & Investment (S151 Officer)	
Summary: The Pension Fund Business Plan sets out the key tasks for the Pension Committee in respect to Pension Fund issues for the period 1 January 2024 to 31 December 2026 and reflects the Pension Committee’s commitment to put into action the investment strategy and monitor procedures for the future to ensure that the Fund meets its objectives and complies with best practice. The intention is that the Business Plan will cover the triennial valuation cycle.	
The Committee is asked to: 1. Agree the Business Plan for 1 January 2024 to 31 December 2026, subject to amendments following matters raised on this agenda.	

London Borough of Barking and Dagenham Pension Fund

2024 to 2026 Business Plan



1 Introduction and Background

- 1.1. The Local Government Pension Scheme (“the LGPS”) is an occupational pension scheme that has been established by Act of Parliament and is governed by regulations made under the Superannuation Act 1972 and Public Service Pensions Act 2013. The London Borough of Barking and Dagenham Pension Fund (“the Fund”) is maintained under the Act.
- 1.2. The Fund is responsible for providing retirement and other benefits to employees of The London Borough of Barking and Dagenham (“the Council”). Fund membership is approaching 20,000 with 47 employers, including admitted and scheduled bodies. Administration of the Fund is the responsibility of the Council, which also has overall responsibility for the investment of the Fund’s assets and pension administration services to members of the Fund and their employers.
- 1.3. The publication of the Myners Report and the subsequent CIPFA “Principles for Investment Decision Making in the LGPS in the United Kingdom” (CIPFA’s Investment Code of Practice) and “Investment Decision Making and Disclosure”, recommends that the Section 151 officer prepare and submit to the Pension Committee (“the Committee”) an annual business plan (“the BP”) for the Fund.
- 1.4. The BP identifies and outlines the key tasks for the period 1 January 2024 to 31 December 2026, with progress reported on at each quarterly Committee. The key tasks identified reflect the Committee’s commitment to developing a suitable investment strategy and monitoring procedures for the coming year which meet the Fund’s objectives and complies with best practice.
- 1.5. The BP outlines the operation of the Fund and includes provision for training and development. The proposed training and development will equip Committee Members with the necessary skills to make informed decisions on the Fund’s investments.
- 1.6. CIPFA recommends that all Committee Members should have the necessary skills and knowledge to adequately fulfil their governance and fiduciary duties to the Fund Members. This is also a requirement of the Pensions Regulator, who from time to time, monitors compliance with this requirement. The November 2023 Autumn Statement included a requirement that all funds to publish formal training policies for their committees and report on the training undertaken.
- 1.7. In addition, as a result of opting the Fund up to Professional Investor status, there is an expectation that Members will receive relevant, detailed and timely training, with updates of the training and attendance provided to the various fund managers, advisors and custodians that the Fund uses.
- 1.8. 2022/23 was the completion of the Fund’s triennial valuation, which had a significant impact on the employers within the Fund. A review of the Fund’s investment strategy has been completed and the initial proposals have been implemented. Full training will be provided to Members during 2024 on any new asset classes being proposed.

2. Pension Committee

2.1 The Council has delegated responsibility for the management of the Fund's investments to the Pension Committee (“the Committee”). The Committee comprises of seven councillors (currently 2 vacancies) and three non-voting representatives, including a Union, an employer and an employee representative, as per below:

Chair: [Cllr Moin Quadri](#)
Deputy: [Cllr Manzoor Hussain](#)
[Cllr Rocky Gill](#)
[Cllr Giasuddin Miah](#)
[Cllr Tony Ramsay](#)

Committee Observers

Union: GMB - Steve Davies
Member: Unison - Susan Parkin
Employer: UEL – Marc Albano

Advisors: Hymans Robertson - Nicholas Jellema
Independent Advisors: John Raisin Financial Services Limited
Actuary: Barnett Waddingham
Custodian: Northern Trust

- 2.2 The Committee meets at least quarterly, and its role is to deal with the management of Fund’s investments in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972.
- 2.3 The Section 151 officer has overall responsibility for the financial management of the Fund and the administration of the pension scheme.
- 2.4 The Committee’s objectives are to:
- i. approve all policy statements prepared under the LGPS Regulations.
 - ii. be responsible for the investment policy, strategy and operation of the Fund and its overall performance, including considering the Fund’s liability profile.
 - iii. appoint and retendering of the Fund Actuary, Custodian, advisors to and external managers of, the Fund and agree the basis of their remuneration.
 - iv. monitor and review the performance of the Fund’s investments including receiving a quarterly report from the Chief Finance Officer.
 - v. receive actuarial valuations of the Fund.
 - vi. monitor the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme Advisory Board.
 - vii. select, appoint and terminate of external Additional Voluntary Contribution (AVC) providers and review performance.
 - viii. consider any recommendations made or views expressed by the London Borough of Barking and Dagenham Pension Board.

3. Pension Administration

3.1 The Council's Pensions Administration Team manage the administration of the Fund and are responsible for paying the benefits to the scheme members and for keeping the records of all other scheme members until their benefits become due.

3.2 Over the past 20 years the LGPS has had many minor adjustments and a few large-scale changes to its benefit structure. With these changes, transitional relief between schemes has occurred, which in practice means that the administration team must be conversant with the regulations throughout this period.

3.3 The Fund uses Altair, a system supported by Heywood Limited to manage its administration. All member records are now electronically held within Altair.

3.4 The quality of the data held is vital to the running of the Pension Fund and there are several additional checks undertaken to ensure information is held correctly, including annual benefit statements, national fraud initiatives, regular data reconciliations between payroll and the pension administration system, the use of a tracing agent and quality checking via Club Vita. The Fund also uses the Government's Tell Us Once service, which is a service that informs the Fund when a death has been registered. Where pensioners live abroad a "certificate of existence" is sent out as a further measure to prevent fraud within the Fund.

3.5 The Pensions Regulator specified measure of the Fund's data quality was:

Common 96.4% Scheme-specific 92.2%

3.6 These scores represent a good level of data quality, but work will be undertaken in 2024 to improve this figure.

3.7 Pension Administration costs and activities are included in the appropriate CIPFA benchmarking group and the Government SF3 return. The most recent report is the SF3 2023/24, which compares the Fund with similar Councils within London.

3.8 A Pension Administration Strategy has been agreed and has been implemented.

3.9 The main activities covered by the Pension Administration Team between 2020/21 to 2022/23 is summarised in table 1 below:

Type of Activity	2020/21	2021/22	2022/23
Number of Starters	607	770	783
Number of Transfer Value Actual	89	93	115
Number of Refunds	87	102	143
Number of Deferred Benefits	257	459	508
Number of Estimates	1,396	1,457	1,412
Number of Retirements	264	294	278
Number of Death in Service	12	6	5
Death in Retirement	219	191	188

4. The Funding Level and Employers' Contribution Rate

- 4.1 The Fund's triennial review was last completed on 31 March 2022. Following strong investment growth, the funding level increased from 90% at 31 March 2019 to 101% at 31 March 2022.
- 4.2 The Fund's estimated funding level as at 31 March 2023 was 106.2%.
- 4.3 The Council's contribution rates for the triennial period is 22.0%.
- 4.4 To maintain an over 100% funding level and allow a stable contribution rate the Committee are committed to:
- commissioning a full actuarial valuation of the Fund every three years;
 - reviewing funding level reports from the Fund's actuary, Barnett Waddingham;
 - agree with the actuary to recover deficits through appropriate mechanisms;
 - monitor and review the actuarial and consultancy services; and
 - implement a de-risking strategy as the Fund's funding level improves.

4.4 Funding strategy and links to investment strategy

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions or asset returns and income. To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa. Therefore, the funding and investment strategies are inextricably linked.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The Actuary's assumptions for future investment returns are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence and are therefore considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government.

5. Management of Fund Investments

- 5.1 The Committee seeks a return on the investments of the Fund that enable 100% funding to be achieved from a stable employers' contribution rate by:
- reviewing managers' performance against those targets over quarterly, annual and three-year rolling periods, at quarterly Committee meetings;
 - having officers monitor the level of transaction costs (brokerage and stamp duty) incurred;
 - having officers meet quarterly with most fund managers or at least annually with all the fund managers; and
 - ensuring officers monitor the external managers' use of soft commission arrangements, if any.

- 5.2 The Fund's strategy was reviewed in 2023 and any recommendations from the review have now been implemented.
- 5.3 The strategic asset allocation of the Fund, together with control ranges, the current allocation and the benchmark index for each asset class is as follows:

Asset class	Strategic Allocation %	Strategy Control Range %	Allocation as at 30/11/2023 %	Benchmark Index
Growth Equities				
Kempen - Active Value	15.0%	13-17%	15.1%	MSCI World ND
LCIV Baillie Gifford – Active Growth	15.0%	13-17%	14.8%	MSCI ACWI GD
UBS - Passive Hedged	15.0%	13-17%	15.5%	FTSE Developed Index Hedged
UBS - Passive Unhedged	5.0%	4-6%	5.5%	FTSE Developed Index
Total	50.0%	48 - 53%	50.9%	
DGF				
Pyrford - Bonds	7.0%	6-8%	7.1%	UK RPI + 5%
Newton - Equity	6.0%	5-7%	5.8%	SONIA + 3%
Total	13.0%	11-15%	12.9%	
Alternatives				
Abrdn - Private Equity + Cash	8.0%	7-8%	8.3%	SONIA + 6%
Abrdn - Hedge Fund	3.0%	2-4%	2.8%	SONIA + 6%
Total	11.0%	10-12%	11.0%	
Income				
BlackRock - Property	4.0%	3-5%	3.9%	MSCI All Balanced Prop
Hermes - Infrastructure	8.0%	6-10%	7.1%	5.9% Hurdle Rate
Insight - Global credit	5.0%	4-5%	5.1%	Target Return 4.0%
LCIV PIMCO - Global Credit	6.0%	4-5%	5.1%	Bloomberg Global Agg
Total	23.0%	19-25%	21.3%	
Protection				
UBS Fixed Interest gilts	3.0%	2-4%	3.1%	FTSE All Stock Gilt Index
Cash	0%	0-2%	0.9%	Base Rate
Total	100.0%		100.0%	

6. Arrangements for Additional Voluntary Contributions (AVCs)

- 6.1 The Committee aims to ensure that there is a varied selection of high-performing investment options available for contributors who wish to make additional voluntary contributions (AVCs).
- 6.2 The Committee will review the Fund's AVC arrangements regularly, with the next review scheduled for early 2025.
- 6.3 Currently the Fund's AVC is managed by Prudential Plc. The performance and options offered will be monitored by officers who, in the event of issues arising, will report this to the Committee.

7. Legislation

- 7.1 The Committee aims to respond promptly to legislative changes with implications for the management and administration of the Fund. It seeks to achieve this by:
- considering reports on the implications for the Fund of relevant draft legislation;
 - closely monitoring new legislation affecting the LGPS; and
 - agreeing any actions necessary to ensure full compliance when the final legislation is enacted including any deadlines.

8. Myners Principles on Investment Decision-making

- 8.1 A revised statement of the Myners principles for investment management by institutional investors were published by the Government in 2008. CIPFA has subsequently issued guidance to local authority pension funds on the application of the principles in a local authority context.
- 8.2 Principle 1 of the revised principles states that administering authorities should ensure that:
- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary for them to take them effectively and monitor their implementation; and
 - those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

9. Decision Making

- 9.1 The Committee will take advice as necessary to ensure that all decisions are made in the best interests of the Fund and its members. Advice is provided by the:
- Section 151 officer and their staff;
 - Fund's Actuary, Investment Advisor and Independent Advisor; and
 - External fund managers.

10. Pension Boards

- 10.1 As part of a Review of Public Service Pensions, published March 2011, Lord Hutton recommended several changes to "make public service pension schemes simpler and more transparent". The Government carried this forward into the Public Service Pensions Act 2013, which requires the Department for Communities and Local Government (DCLG) to make regulations to establish a national Scheme Advisory Board and enabling each LGPS administering authority to establish local pension boards. The names and the roles of the Pension Board Members are below:

Paul Feild (Chair)	Steve Davies
Hugo Wuyts (Deputy Chair)	Steve Ridley
Marc Albano	Susan Parkin

- 10.2 A key aim of the reform process is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.
- 10.3 A Pension Board ("PB") was established by 1 April 2015. The PB has the following Terms of Reference, which will be subject to an annual review:
- i. There will be a separate Committee and PB, with the PB functions as per those prescribed within the regulations.
 - ii. The PB will contain 3 employer and 3 scheme member representatives.
 - iii. PB Members will not be remunerated apart from reimbursement of basic transport and training costs.
 - iv. Biannual PB meetings to be held as a minimum, prior to the June and December Pension Committees. The PB will follow the Aon Hewitt method for governance:
 - 1) Direction – what is the fund trying to achieve (legislation, strategy and policy);
 - 2) Delivery – how the Fund meets its aims (business planning, performance monitoring and risk management); and
 - 3) Decisions – does the Fund have effective decision making (governance structure, behaviour and Pension Skills and Knowledge).
 - v. Should the PB be unhappy with the implementation of its recommendation(s) a report will be submitted to the next possible Council Assembly for consideration.
 - vi. The PB will be chaired on an annual rotational basis.
 - vii. Training will be provided prior to each Board Meeting, with two additional half day training sessions held during the year. Bespoke training will be provided to new PB Members as required.

11. Training and Development for Fund Committee Members

- 11.1 The Review on Institutional Investment in the UK called the Myners Review, recommended that trustees should receive more formal training "to be able to take decisions with the skill and care of someone familiar with the issues concerned". The Committee aims to keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice when necessary from external fund managers, external consultants and council officers.
- 11.2 The Committee expects the Officers and Members to keep up to date with developments in pensions and investment matters and to undertake training as required. In addition, the best practice guidance on the governance of pension funds issued by the CLG and the CIPFA guidance on the application of the Myners principles emphasise the importance of appropriate training and development for Committee Members to allow them to carry out their responsibilities effectively.

11.3 CIPFA's Knowledge and Skills Framework

CIPFA has developed a Knowledge and Skills Framework for Committee Members and separately, for pension fund professionals with responsibilities in this area. The framework is intended to have two primary purposes:

- as a tool for organisations to determine whether they have the right mix of skills to carry out their responsibilities for the fund; and
- as an assessment tool for individual Members to measure their progress and plan their development.

There are seven areas of knowledge and skills relating to the LGPS, which CIPFA has identified as being the core technical requirements for those involved in decision-making. These will be covered at training to be provided prior to each Committee meeting over a three-year period.

11.4 General training and annual events will be provided and are outlined below:

Training	2024	2025	2026
ESG and Private Equity	March		
Property Investments	March		
Actuarial methods standards and practices -		March	March
Investment Performance and Risk management	June	June	June
Financial Markets and Products Knowledge	June	June	June
Legislative and Governance context	September	September	September
Accounting and Auditing Standards	September	September	September
Legislative and Governance context	December	December	December
Financial Services procurement & relationship management	December	December	December

12. Key Fund Activities 2024 - 2026

- 12.1 Over a triennial valuation period there are several key activities that are repeated each year and some that lead up to and then follow the production of the triennial valuation period.
- 12.2 Meetings with Fund managers will take place biannually as outlined in the table below. A meeting with the Fund's passive equity and fixed income manager, currently managed by UBS, will be once a year.
- 12.3 A Business Plan Update report will be taken to each Committee containing an update of progress made against the business plan and will include a summary of the meeting held with each fund manager.

Activity	2024	2025	2026
Administration			
Pension Admin. Software Tender			January to March
Pension Internal Audit	March		March
Data Cleanse	February / March	February / March	February / March
Valuation – collection of data		April to July	
Triennial Valuation		Apr to July	January - March
Valuation Results to Employers		Nov - December	
Submission of Data for Employers	April to July	April to July	April to July
Admin. Performance Review	Quarterly	Quarterly	Quarterly
Business Plan Review		March	March
Annual Benefit Statements	May to August	May to August	May to August
Refresh pensions website	August	August	August
Investments and Accounting			
Investment Strategy Review			July to December
Investment Performance Review	September	September	September
Review of Strategy (Annual)	December	December	December
Employer Accounting Reports	July, Aug & March	July, Aug & March	July, Aug & March
Governance			
Annual Report and Accounts	Apr to June	Apr to June	Apr to June
Pension Board Meeting	Biannual	Biannual	Biannual
Review Risk Register	August	August	August
Review AVC Provider		March	
Independent Adviser contract	March	March	March
Fund Manager Meetings			
Equities	January / July	January / July	January / July
Fixed Income	February / August	February / August	February / August
Property	Mar / September	Mar / September	Mar / September
Diversified Growth	April / October	April / October	April / October
Infrastructure	May / November	May / November	May / November
Diversified Alternatives	June / December	June / December	June / December

13. Assessment of training needs

- 13.1 CIPFA recognises that there may be a wide range of skills and experience among councillors who are nominated to serve on Committee. They may include Committee Members with specialist expertise in investment matters on the one hand and those with no prior pension knowledge on the other. In these circumstances a ‘one-size-fits-all’ approach to training for Committee Members may not be appropriate.
- 13.2 A questionnaire will be sent to all Members to help identify additional training needs. The 2024-25 training plan will be structured around the development needs of Members and observers.

14. Communication

- 14.1 The Committee will plan to keep the Fund's participating employers and members informed on matters that affect them by publishing a variety of documents, details of which can be found in the Fund's Communications Policy.
- 14.2 A pension specific website has been set up which includes details on pension administration and pension investments.
- 14.3 A Fund Annual Report is produced annually and placed on the Council's website, with a summary version distributed to all Fund members.

15. Review and Evaluation of BP

- 15.1 A new BP will be produced after each triennial valuation, with an annual review at the March Committee meeting. The Committee will be provided with a BP update and a reminder of the next quarter's training at each quarterly Committee meetings.

16. Risk Monitoring

- 16.1 Risk has always been a part of the Fund but the past five years have shown that the failure to adequately identify, analyse and manage risk can have dramatic and wide-ranging consequences.
- 16.2 Managing the risk of an overall reduction in the value of the fund and maximising the opportunities for gains across the whole fund portfolio is a top priority. However, while the management of investment risk is rightly a fundamental concern, there is a great deal more to the effective management of risk in the LGPS.
- 16.3 The risk register provides a summary of the key risks the Fund is exposed to and how these risks are managed and / or avoided. The risk register will be updated at least annually and will be taken to Members as part of the BP each year for noting.

17. Performance Management

- 17.1 The monitoring of the returns on the Fund Investments is undertaken by officers on a daily basis with a quarterly return provided by Northern Trust and PIRC.
- 17.2 At each Pension Committee a summary of the Fund's performance over the prior quarter is provided, with comparison of the actual returns after fees achieved against each manager's agreed investment benchmarks and targets.
- 17.3 Where a fund manager has underperformed over three consecutive quarters they will be asked to attend the next Pension Committee, where Members will be able to ask the fund manager questions and to gain an understanding of the reasons for the underperformance.

- 17.4 Where a fund manager has underperformed its benchmark over a rolling two-year period officers will provide a review paper on the manager to be taken to the next available Committee. The review paper will outline the reasons for the underperformance and will include an overall recommendation as to whether the manager and their strategy are still appropriate for the Fund.
- 17.5 Where a significant change in strategy, personnel, general operations, or any other relevant issue is identified with a fund manager a paper will be taken to the next available Committee outlining the issue and recommending a course of action if required. If the issue is significant then an emergency meeting can be called following agreement by the Chair or deputy Chair.
- 17.6 Performance reports will include, where applicable, returns for the previous four quarters, year to date, one year, two years continuing to up to five years. Underperformance will include any red returns.
- 17.7 The fund manager's performance will be scored using a quantitative analysis compared to the benchmark returns, defined as follows:

■	RED- Fund underperformed by more than 75% below the benchmark
Δ	AMBER- Fund underperformed by less than 75% below the benchmark
○	GREEN- Fund is achieving the benchmark return or better

- 17.9 All reports contain returns are provided net of fees. PIRC have advised that reporting net of fees will likely reduce the Fund's returns by 0.3% to 0.4% compared to gross returns. If compared to some local authorities, this can be significantly higher if fund manager fees are high.

18. Corporate Governance

- 18.1 The Regulations require that the Fund's ISS reflect the agreed investment policies and procedures which govern Fund's operation. The appointment of any new fund managers and any other changes that the Committee makes to current investment procedures will need to be incorporated in the ISS. In any event, the Committee will review the Statement annually, to ensure compliance with best practice.

19. Finance implications

- 19.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 sets out the framework to produce a Pensions Administration Strategy which would include business planning.
- 19.2 The Business Plan includes the major milestones and issues to be considered by the Panel and includes financial estimates for the investment and administration of the fund and appropriate provision for training.
- 19.3 The key actions, the date they were completed and by whom are summarised in the Business Plan Update report.

20. Legal Implications

- 20.1 The Pensions Committee has been constituted by the Council to perform the role of administering authority to manage the Fund and as such has legal authority to make the decisions sought by the recommendations. Committee Members have a legal responsibility for the prudent and effective stewardship of LGPS funds, and in more general terms have a fiduciary duty in the performance of their functions.