

Report to Pensions Committee

29 April 2022

Business Plan

Report by Director of Finance and Support Services

Summary

The Pensions Committee approved its Business Plan for 2021/22 in March 2021, setting out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved. During 2021-22 the fund:

- Invested £367m of the Fund's commitments to two private debt funds (managed by Goldman Sachs and ICG), private equity (managed by Partners Group) and all of the Fund's commitment to an infrastructure fund (managed by JPMorgan) with monies redeemed from fixed income and equity investments.
- Transferred further investments into sub-funds within the ACCESS pool, meaning all the Pension Fund's equity and fixed income holdings (£4.4bn, or 80% of the total Fund) are now via the ACCESS pool arrangements.
- Completed its external audit of its Statement of Accounts and Annual Report, by the required statutory deadlines and with an unqualified audit opinion, with the Statements agreed by the Regulation, Audit and Accounts Committee in November 2021.
- Published 100% of Annual Benefit Statements for deferred members and 99% of Annual Benefit Statements for active members by the Statutory deadline of 31 August 2021.

Informed by the Pensions Committee's objectives and its risk register and the Regulatory framework that the Scheme operates the Business Plan for 2022/23 has been prepared for the Committee's consideration. The following are noted:

- The Administering Authority must obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March 2022 and set employer contributions from 1 April 2023.
- Take advice on whether the current strategic asset allocations remains appropriate to allow the Pension Fund to meet its objectives and implement any changes
- In addition to ongoing data collection, it is expected that the Government will consult on the McCloud remedy in summer 2022, along with consultations on investments, pooling arrangements, reporting on climate related financial disclosures, Scheme governance and other changes to the benefit structure of the Scheme.
- Develop an approach to support member communication, particularly in relation to Annual Benefit Statement publication, reflecting the diversity of membership in the Scheme.

Recommendations: That the Pensions Committee:

- (1) Notes the updates on Business Plan activities for 2021/22
- (2) Approves the priorities for 2022/23 (Appendix A).
- (3) Notes the full risk matrix (Appendix B).

1 Background

- 1.1 The Pensions Committee maintains a Business Plan which sets out its key priorities. The Pensions Committee's approach, historically, has been to review its business plan in full annually at the start of the year and consider updates during the year. The 2021/22 Business Plan was agreed in March 2021 and the 2022/23 Business Plan has been prepared for the Committee's consideration. The 2022/23 Business Plan sets out the final deliverables for 2021/22 and sets out how the aims and objectives of the fund over the coming year will be achieved. A full risk register is also attached.
- 1.2 The report is also shared with the Pension Advisory Board.

2 2021/22 and 2022/23 Business Plan

- 2.1 The 2021/22 Business Plan was agreed in March 2021 and the 2022/23 Business Plan has been prepared for the Committee's consideration.
- 2.2 The 2022/23 Business Plan (Appendix A) sets out the final deliverables for 2021/22 and sets out how the aims and objectives of the fund over the coming year will be achieved.

3 Risk

- 3.1 A full risk register has been provided to the Committee (Appendix B) as part of its annual review. Risk themes are then reported to the Committee on a quarterly basis.
- 3.2 The following are highlighted in terms of risk themes:
 - The risk themes relating to Covid 19 have been closed.
 - The risk theme relating to political and/or employer pressure results in change to investment strategy due to factors including ESG (RT3) remains amber but consultations around levelling up, asset pooling and responsible investment are anticipated which will inform the impact rating.
 - The risk theme relating to training (RT7) has been updated to include the loss of professional investor status under MiFiD II if managers are not satisfied with the evidence provided.
 - The risk theme relating to an increase in the variety and number of employers participating in the Scheme (RT12) has been upgraded to 'red' reflecting the government's white paper setting out requirement for all schools to become academies by 2030.
 - The wording in relation to the cyber-crime risk theme (RT13) has been updated to reflect the wider scope of the threat but the risk remains 'red'.

4 Consultation, engagement and advice

N/A

5 Finance

An allowance for the Fund's administration expenses is included within employer contribution rates.

6 Risk implications and mitigations

Covered in main body of report and appendices.

7 Policy alignment and compliance

N/A

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Appendices

Appendix A – Business Plan 2022/23

Appendix B – Full Risk Register

Background papers

N/A

Recommended Training

Hymans LGPS Online Learning Academy – Module 2 – Business Planning