

# Pension Board SUPPLEMENTAL AGENDA

**DATE: Tuesday 28 June 2016**

## AGENDA - PART I

12. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION BOARD: DRAFT ANNUAL REPORT TO COUNCIL 2016 (Pages 3 - 8)

Report of the Director of Finance

## AGENDA - PART II

*Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda items have been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-*

Agenda item

Special Circumstances/Grounds for Urgency

12. Information Report -  
London Borough of Harrow  
Pension Board: Draft Annual  
Report to Council 2016

Members are requested to consider the report, as a matter of urgency. The report was not available at the time the main agenda was printed and published. The Pension Board are required to prepare a report for Council, the next meeting of which is on 22 September 2016. This is the last opportunity for the Board to consider the report prior to Council.

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## **REPORT FOR: Pension Board**

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**Date of Meeting:** 28 June 2016

**Subject:** Information Report - London Borough of Harrow Pension Board: Draft Annual Report to Council 2016

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Wards Affected:** All

**Enclosure:** Draft Annual Report to Council 2016

### **Section 1 – Summary**

This report advises the Board of the need to prepare a report on their work to be presented to the Full Council on 22 September 2016 and provides an initial draft written by officers which they may find useful.

### **Section 2 – Report**

1. The Terms of Reference of the Board require them to present a report on their work to the Full Council once a year. At their last meeting the Board felt it reasonable to report to the Council on 22 September 2016.

2. It is for the Board to write their own report but officers can assist, certainly with the factual content.
3. Attached is an initial draft which the Board may wish to use as the basis of their report. As there is no meeting of the Board scheduled before the Council meeting of 22 September they are asked to agree the report between themselves and to forward it to the Director of Finance by the end of August.

### **Financial Implications**

4. There are no financial implications arising directly from this report.

### **Risk Management Implications**

5. All risks are included within the Pension Fund Risk Register.

### **Equalities implications**

6. There are no direct equalities implications arising from this report.

### **Council Priorities**

7. The financial health of the Pension Fund directly affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert  Chief Financial Officer

Date: 21 June 2016

**Ward Councillors notified:** Not applicable

## **Section 4 - Contact Details**

**Contact:** Ian Talbot, Treasury and Pension Fund Manager  
0208 424 1450

**Background Papers - None**

# DRAFT

## LONDON BOROUGH OF HARROW PENSION BOARD ANNUAL REPORT TO COUNCIL 2016

### Background

The Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013.

Our Terms of Reference require us to present a report on our work to the Full Council once a year.

### Meetings

We held our first meeting on 25 June 2015 and Richard Harbord and Gerald Balabanoff were appointed as Chair and Vice-Chair respectively for the remainder of the 2015-16 Municipal Year. (NB Update in respect of decision for 2016-17)

We have subsequently met on 2 November 2015, 22 March 2016 and 28 June 2016.

All five members of the Board have attended all meetings.

Themes arising during the year were:

#### Role and Terms of Reference

At our first meeting we were provided with considerable background information on our establishment, role and terms of reference.

We understand our role and are generally happy with the generic nature of the Terms of Reference. We ask that they be altered in just two regards:

- to allow us to meet more than twice a year; and
- that the periods of office of the various members be staggered to avoid the potential loss of too much experience at one time;

The issue of payment to the Council officer who is a member of the Board and the level of payments to non-Council members was raised.

The Council are asked to agree these two amendments.

## Knowledge and Understanding of the Local Government Pension Scheme

At our first meeting, we were advised of the knowledge and understanding of the Local Government Pension Scheme required of members of the Board as set out by the , then, Shadow Advisory Board.

To assist in our understanding we have been provided with a large amount of information about the Scheme, usually with an officer's commentary, including:

- Annual Report and Accounts
- Guide to the Local Government Pension Scheme
- Governance Compliance Statement
- Statement of Investment Principles
- Funding Strategy Statement
- Reports from the Fund Actuary

Reference to specific training is made below.

## Relationship with Pension Fund Committee

At each meeting the Board have been advised of the agendas of, and decisions taken by, the Pension Fund Committee at its recent meetings. Our views have, in turn, been reported to the Committee. The Board has also been explicitly invited to attend the Committee meetings and the training sessions held prior to each meeting.

Both the Board and the Committee have emphasised the importance of maintaining good relationships between the two bodies. The Chairs of the Committee and the Board have met and our Chair has been invited to speak at the Committee.

A recurring theme throughout the year has been legal advice that members of the Board are not entitled to remain at the Committee's meetings when exempt papers are discussed even though Board members are expected to abide by the Council's Code of Conduct. A compromise was eventually reached whereby Board members could see all exempt papers other than those involving personal information of officers.

## Annual Report and Financial Statements

At our meeting on 2 November 2015 we were invited to consider the Annual Report and Financial Statements for the year ended 31 March 2015 together with its various attachments and the Report of the Auditor. Both at that meeting and subsequently the areas in which we expressed particular interest were:

- Actuarial assumptions
- Employer contributions
- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process

We have received reports and presentations from the Actuary at both of our meetings in 2016 and will do so at our next two meetings.

## Investment and Management Expenses

We reviewed in detail the management expenses of the Fund and requested benchmarking details.

## Benchmarking and key performance indicators

We have shown particular interest in benchmarking and key performance indicators.

At our meeting on 2 November 2015 we reviewed the self-assessment key performance indicators provided on a pro-forma for the LGPS Scheme Advisory Board.

Traditionally, reliable benchmarking and comparison information covering all administering authorities has not been available. However, recent Government requirements in the context of the pooling arrangements have necessitated the provision of relatively consistent information from all administering authorities and Harrow's results were considered by us on 28 June 2016.

## Environmental, Social and Governance Issues

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they be required to provide an explanation when they do not.

## **Training**

In accordance with the requirements mentioned above on 27 August 2015 the Fund's investment Adviser Aon Hewitt provided an intensive all-day training programme covering the following:

- Governance and Key Legislation
- Actuarial and Funding Matters
- Investment

All members of the Board were able to attend.

## **Conclusion**