

Council

Thursday 1 December 2016

CONFIRMATION OF CABINET AND COMMITTEE RECOMMENDATIONS AND RELEVANT ORIGINATING BACKGROUND PAPERS

ITEM ON SUMMONS	CABINET / COMMITTEE RECOMMENDATION	ORIGINATING REPORT
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Recommendation I: Pension Board

(2 November 2016)

8.	LONDON BOROUGH OF HARROW PENSION BOARD : ANNUAL REPORT	Report of the Director of Finance (Pages 3 - 10)
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Recommendation I: Pension Board

(2 November 2016)

9.	PENSION BOARD - REVIEW OF TERMS OF REFERENCE	Report of the Director of Finance (Pages 11 - 14)
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REPORT FOR: Pension Board

Date of Meeting:	2 November 2016
Subject:	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 (Appendix)

Section 1 – Summary and Recommendation

Summary

This report advises the Board of the need to prepare a report on their work to be presented to the Full Council on 1 December 2016 and provides a draft for their consideration (attached as an appendix).

Recommendation

The Board is recommended to agree a report on their work to be presented to the Full Council on 1 December 2016.

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 received an initial draft for their consideration in advance of this meeting.
2. A revised draft is attached for the Board to consider and they are recommended to agree a final version to be presented to the Full Council on 1 December 2016.

Financial Implications

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

Risk Management Implications

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

Equalities implications

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

Council Priorities

6. 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 Director of Finance

Date: 20 October 2016

Name: Caroline Eccles on behalf of the
Monitoring Officer

Date: 21 October 2016

Ward Councillors notified:

**Not applicable as the
proposal affects all
wards**

Section 4 - Contact Details

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

Background Papers - None

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**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.

The Act provides for the membership to be of equal numbers of “employer representatives” and “member representatives”. In addition we have an Independent Member.

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.

We have subsequently met on four occasions.

All five members of the Board have attended all except one of the meetings and Richard and Gerald were re-appointed to their posts on 28 June 2016.

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. However, our view is that we should 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 were raised.

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 various of our meetings we have been invited to consider the Annual Report and Financial Statements for the last two years together with their various attachments and the reports of the Auditor. The areas in which we expressed particular interest have been:

- 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 each of our meetings in 2016.

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

The regulations governing Pension Boards were contained in the 2015 Regulations (SI2015/57)

The main provisions are:

“(1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it -

- (a) to secure compliance with -
 - (i) these Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and
 - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

- (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

Essentially the role of the Pension Board is one of Scrutiny and our role is wholly advisory.

The first year has been one of training, understanding the role and scrutinising the arrangements for the actuarial valuation and areas of key interest such as management fees etc.

The Board looks forward to consolidating their performance in the second year and becoming an effective body for scrutiny.

REPORT FOR: Pension Board

Date of Meeting: 2 November 2016

Subject: Review of Terms of Reference

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Terms of Reference
(Appendix)

Section 1 - Summary

Summary

The Board are asked to consider whether they wish to ask the Council to consider amendments to their terms of reference (draft attached as an appendix).

Recommendation

The Board is recommended to agree what changes to their terms of reference they wish to recommend to Council.

Section 2 – Report

1. At the first meeting of the Board on 25 June 2015 members were advised of the Terms of Reference agreed by the Council and to recommend any amendments they may wish to make. A copy of the Terms is attached as an appendix.
2. The Board were further advised that any changes requested would be reported to the Council for consideration.
3. The Board noted the report and commented as follows:
 - a typo on page 12 was required to replace ‘or’ with ‘for’;
 - an amendment could be made to read that the Board shall meet at least twice a year;
 - it was important for continuity to be an important factor in the membership of the Board. The Board’s operation was a new concept and if there was a new membership after a couple of years this could reduce the knowledge and experience built up. This was an issue that the Chair and Treasury and Pension Fund Manager would consider in due course.
4. The only other matter raised by the Board which could result in a change to the Terms of Reference is the issue of payment to the Council officer who is a member of the Board and the level of payments to non-Council members.
5. The Board is asked to consider exactly what changes to the Council’s constitution they would like to recommend to Council..

Financial Implications

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

Risk Management Implications

7. There are no direct risk management implications arising from this report.

Equalities implications

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

Council Priorities

9. The performance of the Pension Fund has a direct impact on the financial health of the Pension Fund which directly affects the level of employer

contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 20 October 2016		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 21 October 2016		

Section 4 - Contact Details

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

Background Papers – None

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