

Pension Board SUPPLEMENTAL AGENDA

DATE: Wednesday 8 November 2017

10. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION BOARD ANNUAL REPORT TO COUNCIL 2017 (Pages 3 - 10)

Report of Director of Finance

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

Agenda item

10. London Borough Of Harrow Pension Board Annual Report To Council 2017

Special Circumstances/Grounds for Urgency

This report was not available at the time the agenda was printed and circulated. Members are requested to consider this item, as a matter of urgency. Members are also asked to note that the item was erroneously listed as an information report on the main agenda.

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REPORT FOR: Pension Board

Date of Meeting:	8 November 2017
Subject:	London Borough of Harrow Pension Board: Draft Annual Report to Council 2017
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards Affected:	All
Enclosure:	Draft Annual Report to Council 2017 (Appendix 1)

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 30 November 2017 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 30 November 2017.

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 30 November 2017.

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	<input checked="" type="checkbox"/>	Director of Finance
Date: 6 November 2017		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 6 November 2017		

Ward Councillors notified:

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

Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager
0208 424 1432; Email: ian.millar@harrow.gov.uk

Background Papers - None

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Appendix 1

LONDON BOROUGH OF HARROW PENSION BOARD ANNUAL REPORT TO COUNCIL 2017

Background

The Local Pension 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 who is currently the Chair of Pension Board.

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 re- appointed as Chair and Vice-Chair respectively for the remainder of the 2016-17 Municipal Year. Richard and Gerald were re-appointed to their posts on 28 June 2016

In 2016-17 to date we have met on three occasions.

All five members of the Board have attended all except one of the meetings.

Themes arising during the year were:

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.

We have also requested that all reports from Pension Fund Committee including exempt report be made available for review by Pension Board on a timely basis.

We have also confirmed the insurance arrangements to cover Pension Board members in relation to dealings with the Pension Fund.

Knowledge and Understanding of the Local Government Pension Scheme

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

- Annual Report and Accounts
- Governance Compliance Statement
- Communication Policy Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Actuarial Valuation Reports from the Fund Actuary
- Pension Fund Register
- Policy for Reporting Breaches of Law
- Investment Manager Internal Control Reports

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 and actuarial valuation results
- 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
- The effectiveness of investment managers internal controls
- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)

We have received reports and presentations from the Actuary and from the London Collective Investment Pooling arrangements.

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.

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.

We have also asked for refinement to pension administration reporting to better understand performance against key performance indicators.

Environmental, Social and Governance Issues (ESG)

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they are required to provide an explanation when they do not. We have also requested information on the LCIV approach to ESG

Training

Pension Board has requested further trainings to cover the following:

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

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 second year has been one of further training, understanding the role and scrutinising the arrangements for the actuarial valuation and areas of key interest such as management fees internal control and pension administration performance.

The Board looks forward to consolidating their performance in the third year and developing its role as an effective body for scrutiny