Pension Fund Committee
AGENDA

DATE: Wednesday 18 September 2013

TIME: 6.30 pm

VENUE: Committee Room 5,
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chairman: Councillor Richard Romain

Councillors:

Tony Ferrari	Keith Ferry (VC)
	Sachin Shah

(Non-voting Co-optee): Mr H Bluston
Trade Union Observer(s): Mr S Compton - UNISON
Mr S Karia - GMB

Reserve Members:

1. Stephen Wright	1. Bill Phillips
2. Kam Chana	2. Bill Stephenson

Contact: Una Sullivan, Democratic & Electoral Services Officer
Tel: 020 8424 1785 E-mail: una.sullivan@harrow.gov.uk

HarrowCOUNCIL
LONDON

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

(i) to take the place of an ordinary Member for whom they are a reserve;
(ii) where the ordinary Member will be absent for the whole of the meeting; and
(iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
(iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

(a) all Members of the Panel;
(b) all other Members present.

3. MINUTES (Pages 1 - 8)

That the minutes of the meeting held on 25 June 2013 be taken as read and signed as a correct record.

4. PUBLIC QUESTIONS

To receive questions (if any) from local residents/organisations under the provisions of Committee Procedure Rule 17 (Part 4B of the Constitution).

5. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. ANNUAL PENSION SCHEME ACCOUNTS AND AUDITOR'S REPORT (Pages 9 - 142)

Report of the Director of Finance and Assurance

8. UPDATE REPORT (Pages 143 - 152)

Report of the Director of Finance and Assurance

9. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

10. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
11.	Equity Options	
12.	Information Report - Investment Manager Monitoring	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person, including the Authority holding that information).
13.	Information Report – Performance of Fund Managers for Quarter Ended 30 June 2013	

AGENDA - PART II

11. EQUITY OPTIONS (Pages 153 - 170)

Report of the Director of Finance and Assurance

12. INFORMATION REPORT - INVESTMENT MANAGER MONITORING (Pages 171 - 232)

Report of the Director of Finance and Assurance

13. INFORMATION REPORT - PERFORMANCE OF FUND MANAGERS FOR QUARTER ENDED 30 JUNE 2013 (Pages 233 - 238)

Report of the Director of Finance and Assurance

[Please note that representatives of Aon Hewitt, Advisers to the Fund, will be attending this meeting.]

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PENSION FUND COMMITTEE

MINUTES

25 JUNE 2013

Chairman:	* Councillor Richard Romain	
Councillors:	* Tony Ferrari * Keith Ferry	* Sachin Shah
Co-optee (Non-voting):	* Howard Bluston	Steve Compton Sanjay Karia

(1) Tony Baily of Aon Hewitt and Gemma Sefton of Hymans Robertson attended in an advisory role, as the Council's Actuary and Investment Adviser. Lynn Coventry of WM attended to provide a presentation for Item 6.

* Denotes Member present

1. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

2. Declarations of Interest

RESOLVED: That the following Declarations of Interest be noted:

(1) Councillor Richard Romain declared a non-pecuniary interest in all the agenda items in that he held discretionary shares in named Fund Managers who had involvement in the management of the Council's Pension Fund.

(2) Howard Bluston declared a non-pecuniary interest in all the agenda items in that he had attended meetings at the Aon Hewitt offices in St Albans, and had attended functions hosted by Fidelity and Wellington in his capacity as an Independent Adviser. He would remain in the room while matters were considered and voted upon. He declared a specific interest in Agenda Item 12 in that he serves on a local committee relating to infrastructure.

RESOLVED ITEMS

3. Appointment of Vice-Chairman

RESOLVED: That Councillor Keith Ferry be appointed as Vice-Chairman of the Pension Fund Committee for the 2013-2014 Municipal Year.

4. Minutes

RESOLVED: That the minutes of the Pension Fund Investment Panel meeting held on 6 March 2013 be taken as read and signed as a correct record.

5. Public Questions, Petitions and Deputations

RESOLVED: To note that no public questions were put, or petitions or deputations received at this meeting.

6. Information report - Presentation by WM

The Committee received the report of the Director of Finance and Assurance and a presentation by WM relating to the performance of the investment portfolio in the period to 31 March 2013.

Lynn Coventry of WM described Harrow's performance and position in relation to targets, benchmarks and other Local Authorities. In the light of the data presented, Members discussed the agreed investment strategy and considered how it might best be implemented.

RESOLVED: That the report and presentation be noted.

7. Pension Implication of Service Outsourcing

The Committee received a report of the Director of Finance and Assurance which outlined the pension implications of the proposed libraries outsourcing.

An officer explained that the decision to outsource the service had already been made by Cabinet, and the Committee was now invited to consider whether the proposed pension arrangements would have an adverse impact on the Fund.

Members observed that the savings would benefit the Council but not the Fund, and considered the nature and accommodation of risk. It was accepted that the Contractor could only be liable for those risks under its control, and noted that the Council had the scope to increase contributions to meet liabilities.

Members compared the proposals with those that had been implemented for Academies, and discussed future risk and strategies to reduce the deficit. The Director of Finance and Assurance observed that the report should have come to the Committee for comment before going to Cabinet for decision, and he would ensure that any such reports in the future would do so.

RESOLVED: That the report be noted.

8. Review of the Statement of Investment Principles

The Committee received the report of the Director of Finance and Assurance setting out a revised Statement of Investment Principles ("SIP") for approval, following changes to the Investment Strategy agreed in March 2013.

The Chair noted that the Section 151 officer, the Director of Finance and Assurance, had delegated authority to rebalance the equity and bond portfolios if they breached the stated ranges; an officer confirmed that any such changes were reported to the next Pension Fund Committee meeting.

Members discussed Harrow's compliance with the Myners Principles and the extent to which it was necessary or desirable to be explicit about levels of compliance. They concluded they were happy with the term used in the report, but agreed that a training session on the principles would be beneficial. It was also noted that The Fund's asset allocation was captured in the SIP, and that each time this was amended or revised, an updated SIP was required. An officer suggested that information on asset allocation did not need to be included, but the Chair was of the opinion that inclusion was preferable and provided a clear statement of intent. The officer confirmed that the SIP would be updated to reflect every material change, and with the intention to review every three years.

RESOLVED: That the updated Statement of Investment Principles be approved.

9. Equity Training and Beliefs

The Committee received a report of the Director of Finance and Assurance which focused on the equity component and options for structuring an equity portfolio in order to agree a basis for further training and the development of more precise proposals that reflect the Committee's views.

The Chair clarified that the purpose of the debate was not necessarily to achieve consensus, but to express views and preferences in respect of asset allocation and management.

The Committee considered the potential for adding value, particularly in the context of the following:

- active versus passive management of funds;
- mature versus developing markets;
- global versus local markets;
- flexibility versus stability.

Members discussed whether a cautious approach was appropriate, but the majority view was that as the Fund was underwritten by the Council, they could afford to take a higher risk approach with a view to securing greater returns.

The representative of Aon Hewitt gave his view on the points raised, and reminded the Committee that changes to the direction and content of the portfolio could have consequences for the actuarial valuation. An officer further commented that management of the Fund was not sufficiently flexible to respond quickly to changes in markets, nor was there the in-house expertise to provide more hands-on management.

The Chair summarised the views expressed and stated that the Committee was minded to support continued investment in equities, and asked the advisers to consider the following:

- both active and passive management
- if active – boutique funds with several managers
- developing markets

He concluded that the Committee would decide on fund manager appointments with the advisers providing a shortlist of potential fund managers.

RESOLVED: That

(1) the Committee's views be noted, and a report considering changes to the equity portfolio be prepared by Aon Hewitt;

(2) training be arranged to develop Members' understanding of the issues involved and inform robust decision making in respect of the Council's Pension Fund.

10. Infrastructure and Local Investing

The Committee received a report of the Director Finance and Assurance which looked at infrastructure and local / impact investing and explored the potential for greater diversification of the investment portfolio and some positive local benefit from investing.

The Chair informed the Committee that the Chief Executive had asked that this item be deferred to a future meeting as he had an interest in attending for the item. As the matter was not urgent the Chair was happy to agree to this, and considered that the time could be used to improve the report to include options to develop and manage an infrastructure project for Harrow. Members briefly discussed the possible scope and returns of such a project. The Director of Finance and Assurance informed the Committee that a report had been taken to Cabinet the previous week which looked at the Council's capacity to become a developer, in the context of the Housing Revenue Account Fund. The Chair responded that any report to the Committee would be considered in the light of the requirements of the Pension Fund, including returns, guarantees, governance and transparency.

RESOLVED: That the report be deferred to a future meeting of the Pension Fund Committee.

11. External Audit Plan 2012-13

The Committee received a report of the Director of Finance and Assurance which set out the audit plan for the audit to be undertaken by Deloitte; there were no significant changes from the previous year. The plan has been presented to GARM Committee.

RESOLVED: That the report and audit plan be noted.

12. Information Report - Update Report and Action Points from Previous Meetings

The Panel received a report of the Corporate Director of Resources which provided an update on actions taken since the last meeting.

RESOLVED: That the report be noted.

13. London Pension Fund Collaboration

The Committee received a report of the Director of Finance and Assurance which considered the Government's plan to consult on views relating to the collaboration and merger of London Local Authority pension funds. Proposals to set up a voluntary collective investment vehicle (CIV) were being developed by the London Leaders.

An officer introduced the report and reminded the Committee that Members had not been enthusiastic about the proposal when first presented. However, some authorities were now in favour of exploring the scope for collaboration, and Wandsworth had offered to lead on one such scheme.

Members discussed the advantages and disadvantages of collaboration and the pooling of funds, and considered the political dimension, nationally and locally. They discussed the possibility that such a scheme would counter the government's stated preference for a single London pension fund, and queried whether early involvement on the part of Harrow Council would constitute an 'expression of interest', which might mitigate against the imposition of other, unwelcome initiatives.

It was agreed that there would be economies of scale in pooled funds and shared management, but Members voiced concerns about retaining autonomy and flexibility, and doubted the need to be in the vanguard of authorities signing up to the scheme. Members were also unwilling to commit a nominal fee of up to £50k to the scheme at this stage, and while generally supportive of the proposals, agreed to retain a 'watching brief' and await further information.

RESOLVED: That

(1) the investigation of voluntary collaboration models for London pension funds, including a collective investment vehicle, be supported;

(2) the Committee be kept informed of future developments.

14. Any Other Urgent Business

The Chair informed the Committee that there were three items he wished to raise under this item.

1. E-mail

The Chair informed the Committee and officers that he wanted his personal email address used for email correspondence; that he could not easily access the Harrow website and would not respond to emails sent to his Harrow address.

2. External Advisors for the Pension Fund Committee

The Chair invited comments on his proposal that additional external advisors be appointed, and having received unanimous approval, he asked officers to prepare a paper on the appointment of external advisors and their remuneration.

3. Lead Members

The Chair described the role of 'Lead members' on GARM Committee, and asked members if they thought there would be value in introducing a similar system for the Pension Fund Committee. He confirmed that a particular role could remain vacant if there were no volunteers, and that no areas of expertise had as yet been specified. Members were unanimous in agreement and the Chair asked that officers prepare a list of options for the Committee to consider.

RESOLVED: That

(1) it be noted that Councillor Romain will only respond to email correspondence sent to his personal address, and that he will not respond to emails sent to his Harrow address or forwarded via a Harrow address;

(2) that a report be brought to a future meeting of the Committee on the appointment and renumeration of external advisors;

(3) that a report be brought to a future meeting of the Committee on the role and possible areas of expertise of Lead Members.

15. Exclusion of the Press and Public

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items for the reasons set out below:

Item	Title	Reason
18.	Information Report - Investment Manager Monitoring	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
19.	Information Report - Performance of Fund Managers for Quarter Ended 31 March 2013	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

16. Information Report - Investment Manager Monitoring

The Committee received the report of the Director of Finance and Assurance which presented Aon Hewitt's quarterly report on Harrow's Fund managers, detailing strengths and weaknesses and overall ratings, and noted that the ratings remained unchanged from the January report.

RESOLVED: That the report be noted.

17. Information Report - Performance of Fund Managers for Quarter Ended 31 March 2013

The Committee received a report of the Director of Finance and Assurance which set out the performance of the investment managers and of the overall fund for the quarter, year and three years ending 31 March 2013.

The Chair observed that the recent meeting arranged for Members to meet Fund Managers in an informal setting had not been successful as so few Members had been able to attend; however, he believed it was a useful initiative which should be attempted again, and asked that officers consider setting up another meeting in October.

RESOLVED: That

(1) the report be noted;

(2) members be canvassed for their availability and an informal meeting with Fund Managers be arranged for October.

George Bruce, Pensions and Treasury Manager, announced that he would be leaving Harrow Council for another post at the end of August. The Chair described him as an individual officer who was never loath to voice his opinion or challenge Members, and on behalf of the Committee, thanked him for his contribution to the Committee and the Pension Fund, his co-ordination and liaison skills and professionalism. A co-opted Member added his thanks and compliments to the Chair's.

RESOLVED: That the Pensions and Treasury Manager be thanked for his hard work, professionalism and contribution to the Fund and the Committee.

(Note: The meeting, having commenced at 6.30 pm, closed at 9.35 pm).

(Signed) COUNCILLOR RICHARD DAVID ROMAIN
Chairman

REPORT FOR: **Pension Fund Committee**

Date of Meeting:	18th September 2013
Subject:	INFORMATION REPORT – Annual Pension Scheme Accounts & Auditor's Report
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No
Enclosures:	1 - Pension Fund Annual Report 2 - Expense Summary 3 - Auditor's Report

Section 1 – Summary

The draft pension fund accounts are attached. The audit is substantially complete and the draft report from the Auditor is attached.

FOR INFORMATION

Section 2 – Report

Annual Accounts

1. The draft pension scheme accounts to 31st March 2013 are attached (appendix 1).

2. The contents of the Accounts are governed by regulations in particular the Code of Practice on Local Authority accounting in the UK 2011/12. The format follows that used in prior years. An additional section concerning the risks faced by the fund and the management of these risks has been added (8.16).

3. The value of the fund increased by £63 million in the year reflecting strong equity and bond markets. The fund continues to 'mature' in that benefit payments exceeded contributions for the first time. This trend can be expected to continue as the numbers of pensioners grows and active membership either stabilises or falls. Cash flow remains positive when investment income is taken into consideration. The impact of falling membership, longevity and pension increases will steadily increase future cash outflows, which in the longer term may have to be factored into the investment strategy. The Actuary will include longer term cash modelling in the tri-annual report.

4. The annual accounts and Auditor's Report will be considered at the GARMC meeting on 24th September.

Auditors Report

5. The Auditor's report from Deloitte has not been received; the draft report is attached.

Schedule of Expenses

6. A schedule of expenses incurred by the pension fund in the year is also attached (appendix 3). Aggregate expenses are estimated at £3.53 million, with fund manager fees (£2.57 million) being the largest component. Both have decreased by £100,000, with savings from the reduced Fidelity fee (0.25% from 0.5%) and the terminated Mellon mandate being offset by the impact of higher asset values. Fund manager fees are mainly charged direct to the pooled fund, and Harrow's share of such fees take into account any rebates

7. The investments in private equity and property are through fund of funds and incur two layers of fees. For these asset classes, the underlying manager fees have been estimated.

8. No provision is shown for private equity performance related fees. These are almost impossible to estimate although in the light of performance to date are not thought to be significant.

9. The aggregate costs represent around 0.68% of the Scheme value.

10. Within the annual accounts, pooled fund manager fees are shown within the change in market value of investments. For this reason, the value of expenses shown in the annual Accounts is considerably lower at £488,000.

11. The DCLG have recently released comparative cost information for Local Authorities based on disclosures in fund accounts. The data has been questioned, see paragraph 13 above, on the limitations of using financial accounts disclosure. According to the DCLG, Harrow has an average cost per member of £42, which compares with £164 for average outer London and £112 for all England and Wales.

12. This apparent saving is due to the treatment of pooled fund management costs, which create a negative fund management cost. Looking only at the administration element, Harrow costs are £51 per member, in line with outer London (£50) but more than the whole of England and Wales (£28).

13. If the cost data in appendix 3 was used, Harrow's average cost per member in 2011-12 is £234, being 9th highest out of 89 authorities. But as explained above, limitations in the information sources make comparisons extremely doubtful. It is likely that increased transparency in future will enable better interpretation of cost comparisons.

Section 3 – Further Information

N/A

Section 4 – Financial Implications

14. The level of costs incurred will have a significant impact on the net returns earned by the fund.

Section 5 - Risk Management Implications

15. Risk included on Directorate risk register? No

16. Separate risk register in place? No.

17. The audit is one element of the risk management processes and the review of internal controls operated by investment managers also forms a significant risk mitigation process.

Section 6 - Equalities implications

18. Was an Equality Impact Assessment carried out? Yes

19. There are no direct equalities implications relating to the pension fund

Section 7 – Corporate Priorities

20. Corporate Priorities are not applicable to Pension Fund as it does not have a direct impact on Council's resources.

Name: Simon George Date: 10 September 2013	√	Chief Financial Officer
Name: Matthew Adams Date: 28 August 2013	√	on behalf of the Monitoring Officer

Section 8 - Contact Details and Background Papers

Contact: George Bruce (Treasury and Pension Scheme Manager)
Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: None

Pension Fund Annual Report 2012-13

London Borough of Harrow Pension Fund

CONTENTS

Appendices

1 Introduction

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the Harrow Council Pension Fund ('the Pension Fund') for the financial year to 31 March 2013. This report also explains the administration and management of the Fund, the investment and funding policy objectives, asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Pension Fund is provided by the net assets statement. The actuarial funding level is reported on page ten and in the Statement of the Consulting Actuary.

The Pension Fund Investment Panel is responsible for overseeing the management administration and strategic direction of the Pension Fund. The Panel continuously reviews the Fund's investment strategy to improve returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the scheme to meet future liabilities.

Major stock markets rallied over the course of the year albeit with high volatility as fears of financial crisis were replaced by mild optimism that growth was returning to the developed economies. Bonds benefited from central bank purchases and expectations of prolonged low interest rates to touch all time low yields. Inflation in the UK has remained stubbornly above target but is subdued in the most developed economies. The market value of the Fund as at 31 March 2013 was £552.2m compared to £488.9m as at 31 March 2012. The London Borough of Harrow Pension was ranked in the 67th percentile in the Local Authority Annual League Table of investment returns for the year ended March 2013.

Simon George

Director of Finance and Assurance
XX September, 2013

2 Administration of the Fund

The London Borough of Harrow Pension Fund is administered in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Management and Investment of Funds) Regulations 2009. Its purpose is to provide pensions to all the Council's employees with the exception of teaching staff. Also included are certain employees of admitted and scheduled bodies who have gained admittance to the Fund in accordance with the Fund's admittance criteria. The London Borough of Harrow is the administrating employer.

Scheduled Employers

This is a statutorily defined body listed within Local Government Pension Scheme (LGPS) Regulations and has a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment).

Admitted Employers

There are two types of admission body:

Community Admission Body – These are typically charities or other not-for-profit public sector bodies providing a public service which has sufficient links with the Scheme Employer to be regarded as having a community of interest.

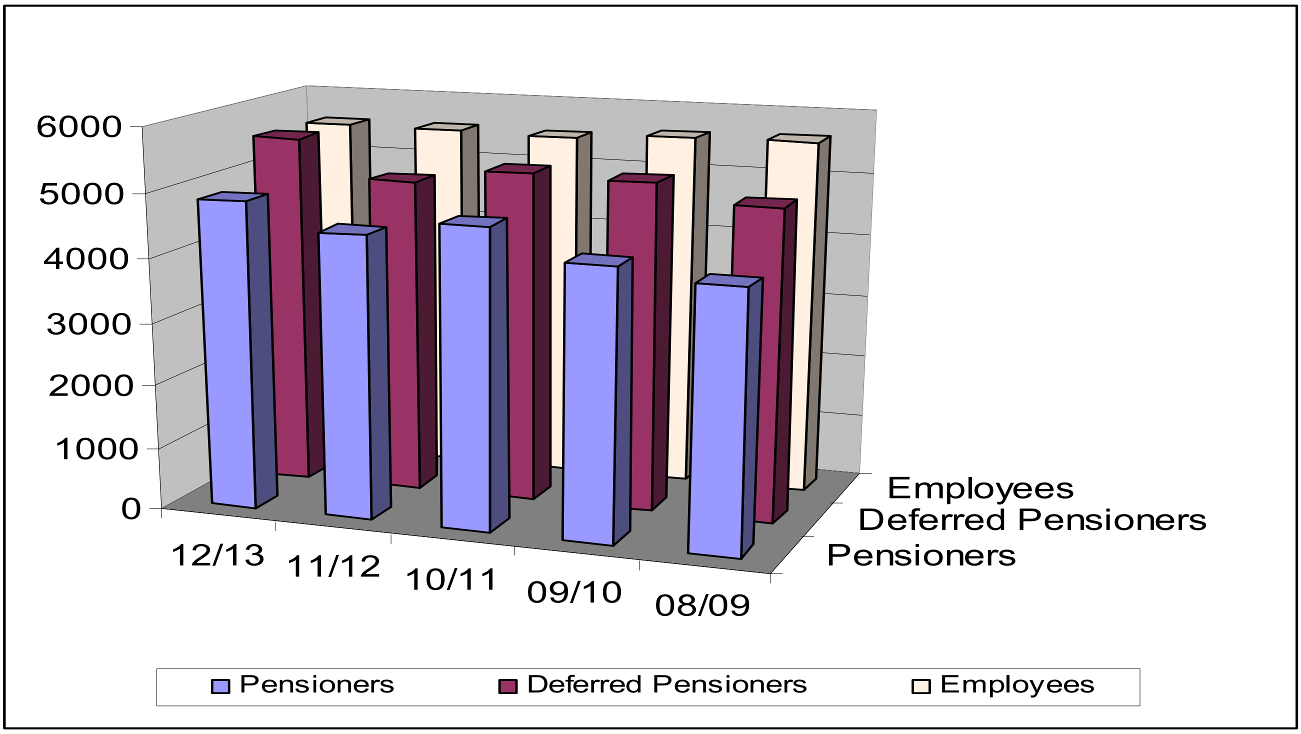
Transferee Admission Body – These are typically private sector companies or charities who will have taken on staff from a local authority as a result of an outsourcing of services.

The scheduled and admitted employers to the fund are listed in the table on the following page.

Membership of the Fund is voluntary. Full-time, part-time and casual employees where there is a mutuality of obligation and who have a contract of more than three months are brought into the Fund automatically, but have the right to "opt out" if they so wish. Casual employees with no mutuality of obligation are not eligible for membership. Contributors to the Fund are contracted out of the State Second Pension.

The Fund is financed by accumulated contributions paid by employees and their employers together with returns from the investment of fund monies. The pension benefits payable out of the Fund are primarily determined by legislation and not by the local authority.

Membership of the Fund



Employer	Status	Actives	Deferred	Pensioners	Total	%
Harrow Council	Scheduled	4338	5446	4613	14397	87.42
North London Collegiate School	Scheduled	62	20	24	106	0.64
Stanmore	Scheduled	92	114	55	261	1.58
Harrow College	Scheduled	157	248	119	524	3.18
Harrisons	Admitted	22	3	0	25	0.15
St Dominics Sixth Form College	Scheduled	54	22	24	100	0.61
Kier	Admitted	0	2	1	3	0.02
Mears	Admitted	34	4	12	50	0.30
Care UK	Admitted	33	10	12	55	0.33
Julius Rutherfoord	Admitted	3	0	1	4	0.02
KGB	Admitted	2	0	0	2	0.01
Capita	Admitted	12	3	5	20	0.12
Granary Kids	Admitted	2	1	0	3	0.02
ContinYou	Admitted	2	0	0	2	0.01
Bentley Wood High School	Scheduled	49	21	0	70	0.43
Canons High School	Scheduled	69	13	0	82	0.50
Harrow High School	Scheduled	85	7	0	92	0.56
Hatch End High School	Scheduled	127	46	4	177	1.07
Nower Hill High School	Scheduled	144	28	1	173	1.05
Park High School	Scheduled	70	14	1	85	0.52
Rooks Heath High School	Scheduled	101	23	1	125	0.76
Quality Heating	Admitted	1	1	0	2	0.01
Linbrook	Admitted	5	0	0	5	0.03
Krishna Avanti	Scheduled	13	0	0	13	0.08
Salvatorian College	Scheduled	76	7	0	83	0.50
Avanti House Free School	Scheduled	9	0	0	9	0.05
	Total:	**5562**	**6033**	**4873**	**16468**	**100.00**

Key Elements of the Fund

The current structure of the fund as it impacts on members is outlined below. The benefit and employee contribution arrangements for the Local Government Pension Schemes will change significantly from April 2014. Benefits accrued up to that date will be protected from the impact of the changes.

Eligibility for Membership - Virtually all employees of relevant employers (who have a contract of more than 3 months) aged under 75 can join the Fund, other than those covered by other statutory schemes (for example, teachers, police officers and fire-fighters). Membership is automatic for all employees (including those of scheduled bodies) other than employees of admitted bodies and those who have opted out in the past.

Employee Contributions – Fund changes effective from 1 April 2008 saw the introduction of banded employee contribution rates according to an employee full time equivalent (FTE) pensionable pay. The bandings effective during the year are shown below:

FTE Pensionable Pay	Contribution Rate
Up to £13,500	5.5%
More than £13,501 and up to £15,800	5.8%
More than £15,801 and up to £20,400	5.9%
More than £20,401 and up to £34,000	6.5%
More than £34,001 and up to £45,500	6.8%
More than £45,501 and up to £85,300	7.2%
More than £85,300	7.5%

Benefits on Retirement – From April 2008 the payment of a pension is calculated at 1/60th of the final year's pay multiplied by the number of years of service, with an option to exchange part of the pension into a tax free lump sum. The calculation of benefits in respect of pre April 2008 pensionable service is based on the accrual rate of 1/80th of the final year's pay for each year of membership plus a lump sum of three times the pension. Actual membership may be enhanced in cases of ill health retirement. Employers may choose to augment the active members' number of years of service (other than on ill health grounds). In all cases, it is possible to exchange part of the pension for a tax free lump sum.

Age of Retirement - Normal retirement date for Fund members is at age 65, subject to:

1. Pension benefits are payable at any age if retirement results from ill health.
2. Members may retire with full accrued benefits from age 55 onwards if their retirement is on redundancy or efficiency grounds.
3. Members who have not reached normal retirement date and to whom ill health or redundancy/efficiency retirement does not apply may elect from age 55 onwards to draw their accrued benefits. Employer consent is required for elections made before age 60, however, benefits may be actuarially reduced.

Benefits on Death in Service - A lump sum death grant is payable, normally equivalent to three years pay. Harrow Pension Fund, as administering authority, has absolute discretion over the distribution of this lump sum among the deceased's family, dependants, personal representatives or nominated beneficiaries. Pensions may also be payable to the member's widow, widower, civil partner, nominated partner and/or children.

Benefits on Death after Retirement - In some circumstances a lump sum death grant is payable, normally equivalent to ten times annual pension less pension paid (post April 2008 retirements). If so, Harrow Pension Fund has absolute discretion over the distribution of this lump sum among the deceased's family, dependants, personal representatives or nominated beneficiaries. Pensions may also be payable to the member's widow, widower, civil partner, nominated partner and/or children.

Cost of Living Increases - Pensions payable to members who retire on ill health grounds and to members' spouses and children are increased in line with the Consumer Price Index. Pensions payable to other members who have reached the age of 55 also benefit from annual inflation proofing. Where a pensioner has a Guaranteed Minimum Pension (relating to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions.

Extra Benefits - The Fund offers several ways for members to improve benefits:

- Payment of additional periodical payments to increase annual pension;
- A money purchase AVC Fund which is operated with Equitable Life (closed to new members), Clerical Medical or Prudential.

Taxation

UK Tax - The Fund is an exempt approved fund and is therefore not liable to UK tax on capital gains and investment income. Where a taxation agreement exists between this country and another, whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

Overseas Tax – Tax arrangements outside the UK vary country by country. The Council works with fund managers and custodians to ensure advantage is taken of tax exemption rules and where tax has been deducted that reclaims are filed where permitted. The proportion reclaimable and the timescale involved is country specific.

Transfer Value Calculations -The methodology used in calculating the transfer values is in accordance with the Local Government Pensions Scheme Regulations and is also in line with the guidance received from the Government Actuarial Department.

More Information

For the following publications relating to the Pension Fund: Governance Compliance Statement, Pension Communications Policy and Fund Guides, please see Appendix 1, 2 and 3 respectively. These publications can also be found on the Council website at www.harrow.gov.uk/pensions

For information on joining / leaving the Fund and Fund benefits, please contact the Pensions department, Shared Services at Harrow Council.

The Council office is open from 9:00am to 5:00pm, Monday to Friday. The address is:

Shared Services – Pensions
Harrow Council
3rd Floor South Wing
Civic Centre
Station Road
Harrow
HA1 2XF

Email address: Pension@harrow.gov.uk
Telephone Number: 020 8424 1186.

For pension investments matters please contact the Corporate Finance Section, Treasury and Pensions on 020 8424 1172.

Audit Responsibilities

The Audit Commission is responsible for appointing the auditors to the London Borough of Harrow Pension Fund. For the audit of the 2012/13 accounts, Deloitte LLP have been reappointed.

Custodian

The Custodians for the Pension Fund are JP Morgan and Bank of New York Mellon. Most investments are held within pooled funds who appoint their own custodians.

The Pensions Ombudsman

The Pensions Ombudsman can investigate complaints of maladministration as well as disputes about decisions which have been made about your pension rights at the address below:

The Pensions Ombudsman
11 Belgrave Road
London SW1V 1RV

Tel No. 0207 834 9144
Fax No. 0207 821 0065
Email: enquiries@pensions-ombudsman.org.uk

3 Management and Investments

The Authority has delegated its responsibility for the determining of investment policy and the monitoring of investment performance to the Pension Fund Investment Panel which meets approximately six times a year. The Panel sets guidelines for and assesses the investment decisions of the Fund's investment managers.

As at 31 March 2013, the membership of the Pension Fund Investment Panel was as follows:

Councillor Keith Ferry (Chairman)
Councillor Mano Dharmarajah
Councillor Richard Romain
Councillor Tony Ferrari

Membership of the panel is determined at the Annual Council meeting each May, at the start of the Council's municipal year. A change in the membership of the panel can only be made with the agreement of the Leaders of all political parties or by full Council.

The Pension Fund Investment Panel has the following powers and duties:

- to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- to establish a strategy for the disposition of the Council's Investment in accordance with the law and Council policy; and
- to determine the managers' delegation of powers of management of the Fund.

The Pension Fund Investment Panel receives a quarterly update report on the Fund and individual fund manager's performance.

The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective of minimising the level of employer contribution in order to meet the cost of pension fund benefits as required by statute, subject to an appropriate level of risk (implicit in the target) and liquidity.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

The day-to-day management of the Fund's investments as at 31 March 2013 was carried out by the following eight external managers:

Managers	**Mandate**
BlackRock Investment Management (UK) Limited	Corporate and Index linked Bonds
State Street Global Advisors Limited	UK Equities Passive
Fidelity International	Global Equities
Wellington Management International Limited	Global Equities
Longview Partners Investments	Global Equities
Pantheon Private Equity	Private Equity
Record Currency Management Limited	Passive Currency
Aviva Investors Global Services Limited	UK Property

The property mandate with UBS Global Asset Management (UK) Limited was terminated during the year. Manager fees are mostly paid as a percentage of the value of each mandate. Fees are also calculated based on the value of funds committed (Pantheon) and two mandates have performance related fee (Pantheon and Fidelity).

Investment Adviser

The Panel is advised by independent adviser, Aon Hewitt.

Actuary

The actuarial service is provided by Lorna Tonner of Hymans Robertson LLP.

Actuarial Valuation

An actuarial valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £436m and the total accrued liabilities of the Fund were £593m. The Fund deficit was therefore £157m producing a funding level of 73.5%.

To reach the funding level of 100% over a period of 20 years, the common employers' contribution rate is 25.7% of pensionable pay. The Projected Unit method is used to determine this rate. Adjustments have been made to the common rate of employers' contributions to take account of certain circumstances that are peculiar to individual employers.

The main actuarial assumptions used at 31 March 2010 are detailed below:

Assumption	**Nominal**
Price Inflation (RPI)	3.3%
Pay Increases	4.8% [1% until 31.3.2013]
Gilt based discount rate	4.5%
Funding basis discount rate	6.1%

The next triennial actuarial valuation will be carried out as at 31 March 2013.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare, maintain and publish a written statement of principles governing their decisions about investments. The Pension Fund has adopted a formal Statement of Investment Principles (please see Appendix 4) which is published on the Council website at www.harrow.gov.uk – Advice & Benefits - Local Government Pension Scheme – Pension Fund Policies / Statements.

The Pension Fund Investment Panel monitor's actual against strategic asset allocations and takes action when appropriate.

Funding Strategy Statement

The 'Funding Strategy Statement' (FSS) is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. The purpose of the FSS is to:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- support the regulatory framework to maintain stable employer contribution rates where possible; and
- take a prudent longer-term view of funding those liabilities.

Please see Appendix 5 for The Pension Fund's 'Funding Strategy Statement' which can also be found on the Council website at www.harrow.gov.uk - Advice & Benefits - Local Government Pension Scheme - Pension Fund Policies/Statements.

Funding Policy

The objectives of the Fund's funding policy are as detailed below:

- to ensure the long-term solvency of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to maximise investment returns for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue; and
- to minimise the degree of short-term change in the level of each employer's contributions.

4 Market performance

Eurozone issues dominated the news flow over the year. The uncertainty in markets eased considerably when the European Central Bank President vowed “to do whatever it takes” to support the Eurozone. However, the turmoil was far from over as Greece and then Cyprus agreed bail out deals. Investors were initially nervous in the build up to the US fiscal cliff deadline, which was averted at the last moment, Subsequently, US budget negotiations failed to reach a solution and automatic budget cuts were triggered at the beginning of March 2013, which appeared to leave markets unmoved. The US Federal Reserve expanded quantitative easing (“QE”) with an indefinite term to support its economy.

US economic date improved especially in the housing and labour markets. In contrast other major economies, especially the Eurozone, were weak with economic data coming in below forecasts. Softer Chinese data and slowing trade volumes underscored weak global growth levels.

The UK economy struggled to achieve growth as the Government continued to address the budget deficit but ended the year on a more positive note. The Bank of England added £50 billion to its QE easing programme, which supported both bond and equity markets. The loss of the UK’s AAA credit rating failed to affect markets.

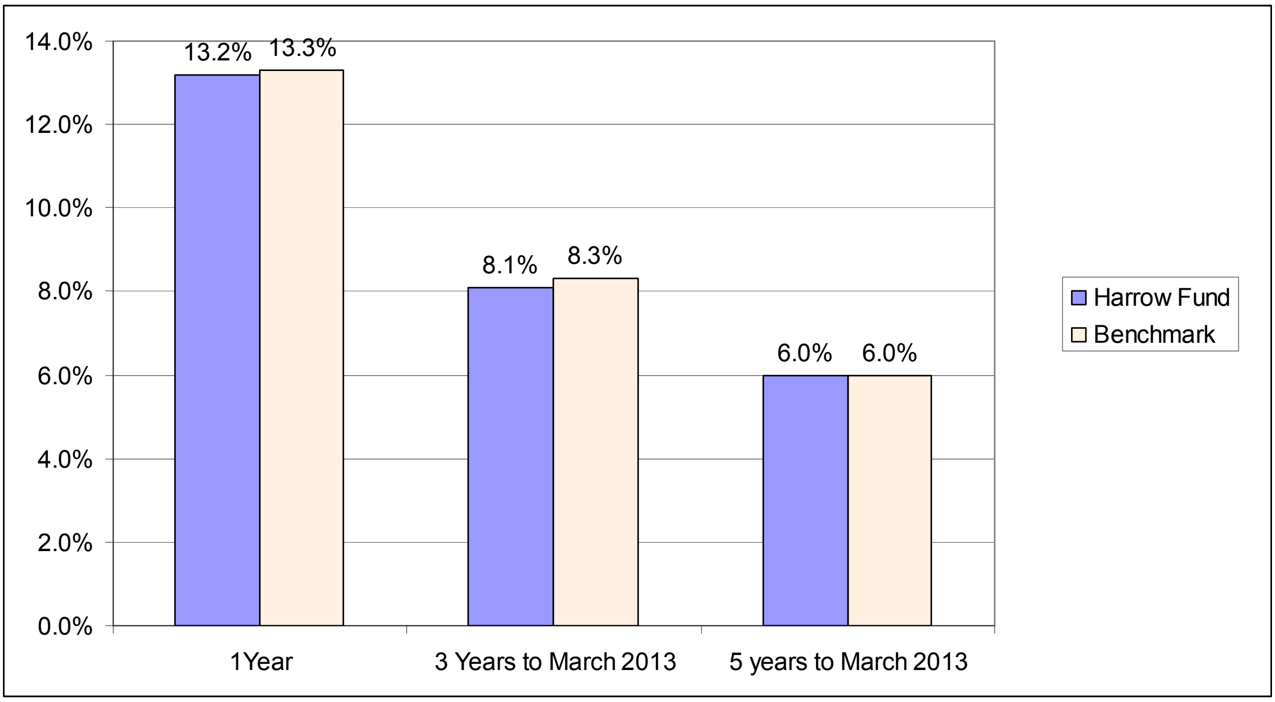
Despite the fragility of the world economy, global equity returns were strong. Japanese equities gained the most (up 24% in local currency) following the promises of an aggressive monetary policy. The US markets gained 14% and reached an all time high due to both QE and growing corporate earnings. The UK and Continental Europe both returned 17% and 16% respectively. Emerging markets were a disappointment and returned 5% in local currency.

For most of the year developed government bond yields continued to fall to record lows generating strong returns for fixed and index linked bonds, especially lower maturities. Longer dated UK gilts and index linked returned 8% and 12% respectively. Spreads on investment grade credit narrowed and sterling credit returned 12%. The fall in yields started to reverse towards the year end and gathered pace in quarter two 2013 as investors became nervous that monetary policy would soon start to be less accommodating, particularly in the US.

The UK commercial property market returned 2.5% in the year with capital values declining.

5 Fund performance

The Committee uses World Market (WM) Performance Services as its independent investment performance measurer. Investment returns over 1, 3 and 5 years is shown below.



Source: World Market Performance Services

The Fund had a good year with all the main asset classes, except property, providing returns in excess of 10%. Returns over all three time periods are strong reflecting recovery from the depths reached in 2008 at the height of the financial crisis.

The fund has moderately underperformed its benchmark over the last three years due to holding cash balances during a period of rising equity and bond markets as protection against volatile equity markets.

The average fund in the local authority universe (as per World Market performance services) returned 13.8% in the year. Harrow was ranked in the 67th percentile in the Local Authority universe as measured by the World Market performance services. The higher allocation to listed equities added 0.4% to the relative return while the performance of the funds equity managers detracted by 1%.

Investment strategy

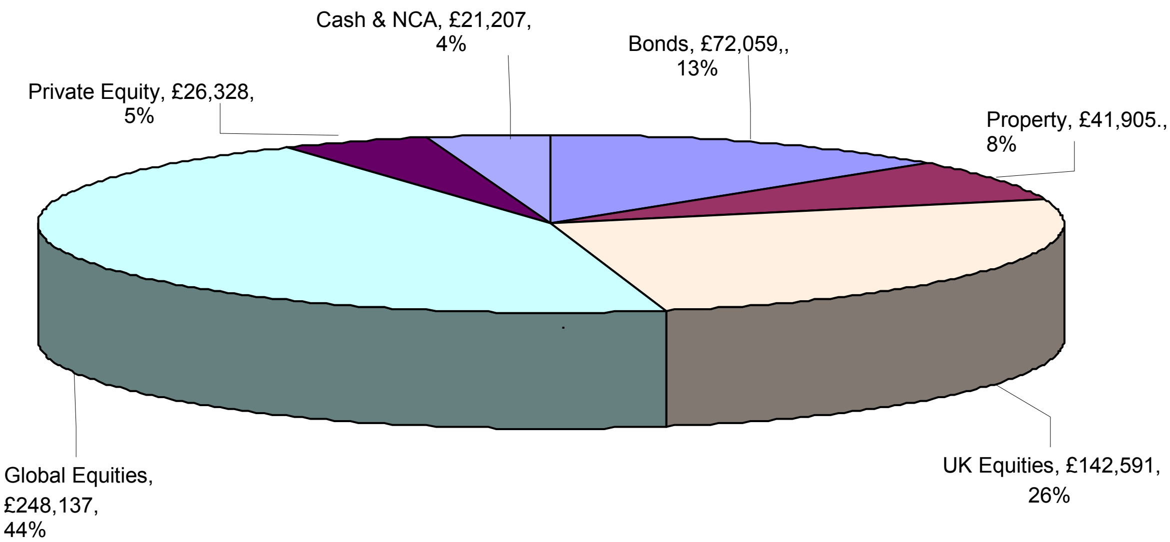
The strategic allocations shown below were approved in March 2013 following the completion of post valuation review. The major changes are a reduction in the allocation to equities (-9%) and a corresponding increase in the allocation to alternative.

The change in allocation was implemented after the year end and involved the appointment of two multi asset class fund managers. The pie chart below shows the actual allocation as at 31st March 2013 and does not include the subsequent investments made in the following financial year in the alternative asset classes.

The Panel aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor's covenant, the funding level, the long time horizon of the fund and the projected asset class returns and volatility. The Panel monitors the continued appropriateness of the strategic allocations in light of changes in the funding level, economic conditions and risk tolerances.

Strategic Asset Allocations 31 March 2013	**%**
UK Equities	26
Global Equities	36
Fixed and Index Linked Bonds	13
Property	10
Private Equity	5
Alternatives	10
Total	**100**

The actual allocations to asset classes (£'000) are shown in the chart below. The Panel monitors any divergence from strategy and rebalances when appropriate.



Total Value £552,227

Investments held by Fund Managers

	2012-13		2011-12		
	£000	**%**	**£000**	**%**	
State Street Global Advisors	142,591	27%	122,061	26%	UK Equities
Longview Partners	40,109	7%	33,941	7%	Global Equities
Fidelity International	98,872	18%	84,747	18%	Global Equities
Wellington Management	109,156	21%	96,985	21%	Global Equities
Black Rock	72,059	14%	63,492	14%	Bonds
UBS	0	0%	318	0%	Cash
Aviva	41,905	8%	41,343	9%	Property
Pantheon	26,328	5%	23,047	5%	Private Equity
Record Currency	-2,274	0%	1,648	0%	Currency hedge
Total Fund	**528,746**	**100%**	**467,582**	100%	

The above amounts include the investment assets, cash deposits and forward currency contracts included in each mandate.

The only change in the fund manager line-up in the year was the completion of the property transition from UBS to Aviva. Following the strategy review concluded in March 2013 cash balances and realisations from listed equities were used to invest 10% of the fund in two multi asset class mandates managed by Barings Investment management and Standard Life.

The Panel believes in appointing fund managers with clear performance benchmarks that place maximum accountability for performance against that benchmark with the investment manager. Following the manager changes discussed above the Fund has nine investment managers to give diversification of investment style and spread of risk. The Panel will continue to monitor the ability of their Investment Managers to achieve their target returns.

The Record Currency balance comprises net derivative assets of £-2.274m shown under assets (£0.865m) and liabilities (£3.139m), being the value of forward currency contracts comprising the 50% currency hedge on non-sterling investments. The hedge is designed to reduce volatility due to currency movements.

6 Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Chief Financial Officer, i.e., the Director of Finance and Assurance;

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- To approve the statement of accounts.

The Director of Finance and Assurance's Responsibilities

The Director of Finance and Assurance is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Director of Finance and Assurance has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code of Practice on Local Authority Accounting;

- Kept proper accounting records which were up to date;

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2013 and its income and expenditure for the year then ended.

Simon George

Director of Finance and Assurance
XX September, 2013

7 London Borough of Harrow Pension Fund Account

Pension Fund Account for the year ended 31st March 2013

2011-12 £000		Notes	**2012-13 £000**
	Contributions and Benefits		
24,725	Contributions receivable	8.2	25,351
2,527	Individual Transfers in from other schemes		1,279
88	Other Income (including Capital cost)		-24
	Less:		
-25,103	Benefits Payable	8.3	-26,716
-1,076	Leavers	8.4	-1,062
-789	Administrative expenses	8.5	-827
372	**Net additions / (withdrawals) from dealings with members**		**-1,999**
	Returns on Investments		
4,948	Investment Income	8.6	4,833
6,951	Change in market value of investments	8.7	60,112
133	Investment management expenses	8.5	339
12,032	**Net returns on investments**		**65,284**
12,404	Net increase in Fund during the year		63,285
476,538	Net assets at start of year		488,942
488,942	**Net assets at end of year**		**552,227**

Net Assets Statement

2011-12 £000		Notes	**2012-13 £000**
	Investment Assets		
464,829	Pooled investment vehicles	8.9	531,020
2,014	Derivative contracts	8.10	865
466,843			**531,885**
	Investment Liabilities		
-366	Derivative contracts	8.10	-3,139
466,477			**528,746**
22,118	Cash deposits	8.7	20,117
488,595	**Net Investment Assets**		**548,863**
674	Current assets	8.12	3,974
-327	Current liabilities	8.12	-610
488,942	**Net assets of the scheme at 31 March 2013**		**552,227**

The accounts summarise the transactions of the Fund and deal with the net assets. The Net Asset Statement does not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statement included on pages 28 and 29 and these accounts should be read in conjunction with it.

Simon George
Director of Finance and Assurance
XX September, 2013

8 Notes to the Pension Fund Accounts

8.1 Accounting Policies, Judgements and Uncertainties

The accounts have been compiled in accordance with chapter Two of the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised May 2007) (“the SORP”) and the CIPFA code of practice on local authority accounting in the United Kingdom 2012/13. The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and as disclosed below.

Basis of Preparation - Except where otherwise stated, the accounts have been prepared on an accruals basis.

Investments - These are shown in the accounts at market value, which has been determined as follows:

- All listed investments are quoted at the bid price at the close of business on 31 March of each financial year;
- Unlisted securities are valued having regard to latest dealings, professional valuations, asset values, currency rates and other appropriate financial information adjusted to reflect cash transactions up to 31 March 2013;
- Investments in pooled investment vehicles are stated at the bid value (or single price if relevant) of the latest prices quoted by their respective managers; and
- Derivatives are valued at the appropriate closing exchange rate or the bid spot or forward rates. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments, including derivatives, held at any time during the year, including profits and losses realised on sales of investments during the year. Most investments are in pooled funds where the change in market value will reflect investment income earned by the fund and fees and expenses charged to the fund.

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March of each financial year. Investment transactions and income in foreign currencies are accounted for at the spot rate of exchange at the date of transaction.

Cash deposits include highly liquid investments that are readily realisable for known amounts of cash and that are subject to minimal risk of changes in value.

Benefits, Refunds of Contributions and Transfer Values - Benefits payable and refunds of contributions are accounted for in the period in which they are payable.

Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on a payments and receipts basis. The transfers can take a considerable time to determine and amounts can vary depending upon the date of settlement.

Investment Income - Dividends and interest on government stocks, loans and deposits have been accounted for on an accrued basis. Foreign income has been converted into sterling at the date of the transaction.

Investment Management and Administration - Regulations permit the Council to charge administration costs to the Pension Fund. A proportion of the relevant Council officers' salaries, including related on-costs, have been charged to the Fund based on estimated time spent on Fund business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements. All expenses are accounted for on an accruals basis.

Assumptions made about the future and other major sources of estimation uncertainty

The items in the Net Assets Statement as at 31 March 2013 involving assumptions about the future and major sources of estimation uncertainty for which there is a significant risk of material adjustment to the value disclosed within the next financial year are as follows:

	Uncertainties	**Effect if actual results differ from assumptions**
Unquoted property & private equity investments	There are no publicly listed prices for the Fund's investments in property and private equity and therefore there is a degree of estimation and judgement involved in the valuations used based on recognised professional guidance. Assurance is provided by independent reviews of property valuations and the audit of private equity funds.	Total property and private equity investments disclosed in the accounts amount to £68.2 million. A 10% change in value will result in a change in value of +/- £7 million.
Actuarial present value of promised retirement benefits (Appendix 3)	Estimation of Fund deficit depends on a number of complex judgements relating to the discount rate used, and factors such as projected salary growth and inflation, commutation rates and mortality rates. The Fund actuary provides advice about the assumptions used in calculating the deficit. The effects of changes in individual assumptions can be measured.	A decrease of 0.5% in the discount rate assumption would increase the pension liability by approximately £73 million. An increase of 0.5% in assumed salary or pension inflation would increase the pension liability by approximately £18 million and £54 million respectively. A one year increase in assumed life expectancy would increase the pension liability by approximately £24 million.

Critical judgements in applying accounting policies
The most significant judgements in applying accounting policies are as follows:

Unquoted private equity investments

Private equity investments are valued based on forward looking estimates and judgements made by the general partners (i.e. those controlling the partnerships) to the funds invested in, using guidelines issued by the Private Equity Industry Guidelines Group in the USA (known as the Private Equity Valuation Guidelines) and the International Private Equity and Venture Capital Valuation Guidelines, which have been adopted by almost all venture capital associations, including the BVCA.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits, as disclosed in note 8.14, is prepared by the Fund's actuary, adopting prescribed assumptions as set out in IAS19. These assumptions may differ from those used by the actuary at formal triennial valuations to determine the level of contributions payable by employers. The liability disclosed in note 8.14 is subject to significant variances depending on the assumptions adopted.

8.2 Contributions

2011-12 £000		**2012-13 £000**
	Employers - normal	
15,563	London Borough of Harrow	15,161
2,117	Scheduled Bodies	3,330
660	Admitted Bodies	494
	Members - normal	
5,484	London Borough of Harrow	5,225
686	Scheduled Bodies	1,024
215	Admitted Bodies	117
24,725		**25,351**

8.3 Benefits

2011-12 £000		**2012-13 £000**
	Pensions	
-19,648	London Borough of Harrow	-21,085
-522	Scheduled Bodies	-709
-196	Admitted Bodies	-141
-20,366		**-21,935**
	Commutation of Pensions and Lump Sum Retirement Benefits	
-3,807	London Borough of Harrow	-3,840
-394	Scheduled Bodies	-288
-64	Admitted Bodies	-24
-4,265		**-4,152**
	Lump Sum Death Benefits	
-439	London Borough of Harrow	-611
-33	Scheduled Bodies	-18
-472		-629
-25,103		**-26,716**

8.4 Leavers

2011-12 £000		2012-13 £000
-4	Refunds to members	-2
-1,072	Individual transfers to other schemes	-1,060
-1,076		**-1,062**

8.5 Investment Management and Administration Expenses

2011-12 £000		2012-13 £000
133	Investment management expenses	339
	Scheme administration	
-676	Harrow Council	-682
-113	Misc. (including Actuary Fees)	-145
-789	**Total Administration Expenses**	**-827**
-656	**Total Expenses**	**-488**

External audit fees of £21,000 (2012: £35,000) were charged in the year.

8.6 Investment Income

2011-12 £000		2012-13 £000
4,800	Income from pooled investment	4,628
148	Interest on cash deposits	205
4,948		**4,833**

All investments other than cash are held in pooled investments and only the income that is distributed is included above. Income retained within in pooled funds is reflected within the change in market value of investments.

8.7 Investments

	Value at 01-Apr-12 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value £000	**Value at 31-Mar-13 £000**
Pooled Investment Vehicles					
Property	41,343	11,197	-10,156	-479	**41,905**
Other	423,486	6,869	-3,448	62,208	**489,115**
Derivatives	1,648		-2,305	-1,617	**-2,274**
	466,477	**18,066**	**-15,909**	**60,112**	**528,746**
Cash Deposits	22,118				20,117
	488,595				**548,863**

The change in market values reflects higher valuations for both equities and bonds. Equity markets responded to better news on economic growth while bonds were supported by expectations of prolonged low interest rates and loose monetary policy. £57.229 million of the change in market value was in respect of unrealised net gains.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees, commissions, stamp duty and other fees.

With all investments held through pooled vehicles, the value of sales and purchases is low. No direct transaction costs were incurred during the year. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately available.

Derivative receipts (£2.3m) are in respect of realised profits on forward foreign exchange trades settled during the period.

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

8.8 Investments Exceeding 5% of the Total Value of Net Assets

2011-12 £m		**2012-13 £000**
122.1	SSGA MPF UK Equity Index Sub-Fund	142.6
97.0	Wellington Global Pooled Value Equity Portfolio	109.2
84.7	Fidelity Inst Select Global Equities	86.8
50.1	BlackRock Institutional Bond Fund-Corp Bond 10 Yrs A class	57.5
33.9	Longview Partners Invest - Global Pooled Equities FD K Class	40.1
31.7	Aviva Investors UK Real Estate Fund of Funds Open Ended	41.9
419.5		**478.1**

8.9 Pooled Investment Vehicles

2011-12 £000		**2012-13 £000**
41,343	UK Managed Funds - Property	41,905
184,767	UK Managed Funds - Other	214,651
238,719	Overseas Other	274,464
464,829		**531,020**

Details of the nature of the investments held within the pooled vehicles are shown on page 14. No investments were loaned during the year.

8.10 Derivatives

2011-12 £000		2012-13 £000
	Investment Assets	
2,014	Forward Foreign exchange contracts	865
	Investment Liabilities	
-366	Forward Foreign exchange contracts	-3,139
1,648	**Net Derivatives**	**-2,274**

Counterparty	Duration	No. of Contracts	Value at 31-Mar-13 Assets £000	Value at 31-Mar-13 Liabilities £000
Barclays Bank - London	9 days - 4 mths	3	7	-108
Deutsche Bank - London	9 days - 6 mths	7	11	-248
Northern Trust - London	12 days - 6 mths	3	2	-121
Royal Bank of Canada - London	9 days - 7 mths	9	176	-1,321
Standard Chartered	6 mths	1	88	
State Street - London	9 days - 7 mths	4	118	-1,065
Toronto Dominion - Toronto	9 days - 4 mths	7	8	-132
UBS AG London	4 mths - 7 mths	8	12	-84
Westpac - Sydney	7 mths	5	443	-60
		47	865	-3,139

The objective in using derivatives is to reduce risk in the portfolio by entering into forward contracts to mitigate the effect of currency risk from overseas investments held in the portfolio without disturbing the underlying assets. The developed overseas equity portfolio is 50% hedged against the currency risk. The value of the exposure to foreign currencies (including emerging) before hedging is £226 million and the value of hedges is £94 million.

8.11 Additional Voluntary Contributions (AVCs)

Members of the Fund can secure additional pension through making AVCs that are invested separately from those of the pension fund. The administering employer has appointed Prudential and Clerical Medical as its AVC provider. These amounts are not included in the Pension Fund Accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

2011-12 £000		2012-13 £000
2,193	Value of AVC Fund at 1 April	2,099
274	Employee contributions	356
81	Investment income and change in market value	107
7	Transfer Values In	0
-456	Benefits paid and transfers out	-351
2,099	**Value of AVC Fund**	**2,211**

8.12 Current Assets & Liabilities

2011-12 £000		**2012-13 £000**
	Current Liabilities	
-58	Unpaid Benefits	-149
-269	Other Unpaid liabilities	-461
-327		**-610**
	Current Assets	
572	Cash balances held by London Borough of Harrow	3,778
0	Contributions due from employers	177
102	Other Current Assets	19
674		**3,974**
347	**Net Current Assets**	**3,364**

8.13 Related Party Transactions

2011-12 £000		**2012-13 £000**
15,563	Employer's pension contribution to the fund	**15,161**
-676	Administration expenses paid to the Council	**-682**
572	Cash in hand held by Council	**3,778**

The fund is required under IAS24 to disclose details of material transactions with related parties.

The Council is a related party to the Pension fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out above. Details of total contributions made in the year are set out in note 8.2 to the accounts.

The Pension Fund has operated a separate bank account since 1st April 2011. However, most transactions in the year were processed through the Council's bank account, with balances settled on a monthly basis.

8.14 Actuarial Value of Retirement Benefits

Disclosure of the year end actuarial value of benefits calculated under IAS 19 assumptions is required by CIPFA's Code of Practice on Local Authority Accounting 2012/13. The IAS 19 valuation is based on prescribed assumptions that differ from those used in the tri-annual valuation that determines the required level of contributions. The outcome of the last tri-annual valuation as at 31 March 2010 is reported on pages 28 and 29.

The actuarial value of benefits and the main assumptions used by the actuary are set out below.

2011-12 £m		2012-13 £000
730	Present value of Promised Retirement Benefits	846
2.5%	Inflation/ Pension Increase Rate	2.8%
4.3%	Salary Increase Rate [1% p.a. until 31 March 2015]	4.6%
4.8%	Discount Rate	4.5%
	Mortality assumptions:	
	Longevity at age 65 for current pensioners (years):	
21.6	Men	21.6
23.6	Women	23.6
	Longevity at age 65 for future pensioners (years):	
23.6	Men	23.6
25.9	Women	25.9

The value of the fund as at 31 March 2013 represents 63% of the value of benefits determined under IAS19 assumptions. The deficit is expected to be addressed through a combination of investment returns in excess of the discount rate and additional deficit contributions from Employers.

8.15 Post Balance Sheet Date Events

There have been no events since 31 March 2013 and up to the date when these accounts were authorised that require any adjustment to these accounts.

8.16 Risk Management

The fund's primary long term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Investment Panel ("PFIP") is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and operating effectively. The aim of risk management is to limit risk to those that are expected to provide opportunities to add value.

The most significant risks faced by the fund and the procedures in place to manage these risks are described below:

(a) Governance and Regulatory Risks

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Regular reviews of the Statement of Investment Principles and Funding Strategy Statement that set out the high level objectives of the fund and how these will be achieved.
- Tailored training for members.
- Reviews of the PFIP agenda and papers by Harrow's Legal Department.

(b) Sponsor Risk

The fund is currently in deficit and achieving a fully funded status may require the continued payment of deficit contributions. The Actuary reviews the required level of contributions every three years. To protect the fund and the Administering Employer, bonds and other forms of security are received from Admitted employers.

(c) Investment Risk

The fund is invested in a range of assets classes as detailed on page 14. The predominant asset class is listed equities, which has both; a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

Pricing Risk

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, in the last five years the value of the fund fell by 31% in the 15 months to March 2009 before increasing by 54% in the next 21 months to December 2010. Most of the price changes related to the global value of equities following the banking crisis. Changes of a similar magnitude are possible in future.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments to include fixed interest and index linked bonds, property, multi assets mandates and private equity. The proportion of the fund invested in listed equities has been reduced by 9% to 62%, which remains a high allocation to one asset class. The investment strategy is reviewed at least once every three years by the Pension Fund Committee and market conditions are reviewed at each meeting to determine if any strategic or tactical action is required.

- Global equities are managed by three active managers to reduce the risk of underperformance against benchmarks. The Investment Advisor provides quarterly reports on the performance and skills of each fund manager to the Pension Fund Committee.

- The benefit liabilities are all sterling based and to reduce the currency risk from non sterling investments, 50% of the overseas currency exposures (£226 million in aggregate at the year-end) are hedged to sterling.

Liquidity Risk

Investments in some asset class's e.g. private equity and property can be illiquid in that they cannot be realised at short notice. Around 12% of Harrow's fund is in illiquid assets. This is deemed low for a scheme that continues to have a positive cashflow. All cash balances are currently on overnight deposit and readily accessible.

Counterparty Risk

The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

(d) Actuarial risks

The value of the liability for future benefits is impacted by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Changes to the benefit structure proposed by the Government will reduce some of these risks. All are monitored through the actuarial valuation process and additional contribution required from employers should deficits arise.

(e) Operational Risk

Operational risk relate to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each investment fund together with annual assessments of the control environment including reviews of internal controls reports certified by reporting accountants.

Controls within the administering authority are reviewed by Harrow's internal audit team.

9 Statement of the Consulting Actuary

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

Description of funding policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers or pool of employers;
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- To help employers recognise and manage pension liabilities as they accrue;
- To minimise the degree of short-term change in the level of employer's contributions where the Administering Authority considers it reasonable to do so.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 21 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £436 million, were sufficient to meet 73.5% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £157 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2011.

9. Statement of the Consulting Actuary (continued)

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2010 valuation were as follows:

Financial assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.1%	2.8%
Pay increases *	4.8%	1.5%
Price inflation/Pension increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11, 2011/12, and 2012/13 reverting to 4.8% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% p.a. underpin effective from 2010. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.6 years
Future Pensioners	23.6 years	25.9 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from London Borough of Harrow, Administering Authority to the Fund.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

L Tonner

Lorna Tonner FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
September 2013

10 Pension Fund Annual Report Opinion

Independent Auditor's Report to the Members of London Borough of Harrow

We have audited the pension fund financial statements for the year ended 31st March 2013 under the Audit Commission Act 1998. The pension fund financial statements which comprise the fund account, the net assets statement and the related notes 8.1 to 8.16. The financial reporting framework that has been applied in their preparation is applicable law and CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of London Borough of Harrow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director of Resources and auditor
As explained more fully in the Statement of the Director of Finance and Assurance's Responsibilities, the Director of Finance and Assurance is responsible for the preparation of the pension fund's financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Assurance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2013, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

Paul Schofield (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
St Albans, UK
Xx September 2013

Appendix 1

Governance Compliance Statement

London Borough of Harrow Pension Fund

June 2009

Introduction

This is the Governance Compliance Statement of The London Borough of Harrow Pension Fund, administered by Harrow Council, the Administering Authority. The statement provides an overview of Harrow's approach towards the governance of the Pension Fund.

Any enquiries in relation to this Governance Compliance Statement should be sent to:

Linda D'Souza (Service Manager – Shared Services)
Harrow Council London
Shared Services
3rd Floor, South Wing
Civic Centre
Station Road
Harrow
HA1 2XF
TEL: 020 8424 1426
Fax: 0208 424 1196
Email: linda.d'souza@harrow.gov.uk

Regulatory Framework

This compliance statement is required by the provision of regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008.

The provision requires Harrow Council as the Administering Authority to prepare a written statement setting out: -

"… (a) whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;

(b) if it does so—

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying".

This statement will be revised and republished following any material change on any of the matters set out above. A current version of the compliance statement will always be available either through the pensions unit at the address on page three, on the intranet under – 'Employment with the Council' – 'Employees Pension' – 'Policy Statements' – 'Governance Compliance Statement'.

Delegated Functions

Harrow Council has delegated its functions to the following:

i) Licensing and General Purposes Committee

ii) Pension Fund Investments Panel

iii) Early Retirement Sub-Committee

iv) Officer Sub – Group

v) Divisional Director Shared Services

vi) Assistant Chief Executive

vii) Chief Officers

Licensing and General Purposes Committee

The Licensing and General Purposes Committee is comprised of fifteen Members representing two different political parties with voting rights. Council Senior Officers attend each meeting.

The Committee meets approximately four times a year and, inter alia, has the following responsibilities:

- Functions relating to local government pensions, etc (Regulations under Sections 7, 12 or 24 of the Superannuation Act 1972 (c.11)[52]).
- The determination of applications under the Local Government Pension Scheme Regulations.

Within its Terms of Reference, the Committee therefore carries out functions such as:

- provide a response to any draft LGPS amendment regulations or other discussion paper relating to the LGPS.
- In some instances, decide to whom a death grant is paid.
- consider policy matters in relation to the pension scheme and the Council's early retirement policy.

Pension Fund Investments Panel

The Pension Fund Investments Panel is comprised of four Members representing two different political parties with voting rights and one Co-optee Member without voting rights. Council Senior Officers attend each meeting and Trade Union representatives of Scheme members (UNISON and GMB) are also invited as observers.

The Panel meets four times a year and have the following responsibilities:

- To administer all matters concerning the Council's pension investments in accordance with the law and Council Compliance.

- To establish a strategy for disposition of the pension investment portfolio.

- To determine the managers' delegation of powers of management of the fund.

Within its Terms of Reference, the Panel therefore carries out functions such as:

- at least once every three months, review the investments made by the Fund Managers and from time to time consider the desirability of continuing or terminating the appointment of the Fund Managers.

- receive actuarial valuations of the Fund.

Early Retirement Sub-Committee

The Early Retirement Sub-Committee is comprised of three Members representing two different political parties with voting rights. Council Senior Officers attend each meeting.

The Sub-Committee meets on an ad-hoc basis and have the following responsibilities:

- To determine applications in respect of Chief Officers where the application has been recommended by the Chief Executive, under regulation 18, regulation 30 and also regulation 19 (on the grounds of redundancy, or in the interests of the efficiency of the service), and where the application was instigated by the Chief Executive in consultation with the Leaders of the political groups.

- To determine all other applications, for early retirements under regulation 18 (Flexible Retirement) & 30 (Early payment of pension) where there is a cost to the pension fund.

Officer Sub – Group

The Officer Sub – Group is comprised of three Officers representing Finance, Legal and HR. Council Senior Officers attend each meeting.

The Sub-Group meets on an ad-hoc basis and have the following responsibilities:

- To determine applications, for early retirements under regulation 19 (redundancy or in the interest of the efficiency of the service). The release of pension benefits must be signed off by the Corporate Director of Finance.

Divisional Director Shared Services

The Divisional Director Shared Services has the following responsibility:

- To determine applications, for early retirements under regulation 18 and regulation 30 where there is no cost to the pension fund.

Assistant Chief Executive

Pension Fund Investment

In respect of the discretionary management arrangements the Assistant Chief Executive has the following responsibilities which in turn have been delegated to the Corporate Director of Finance:

- In the name of the Mayor and Burgesses of Harrow Council and on behalf of the Pension Fund and in consultation with the Fund's managers, to invest in stocks and shares as authorised by the Trustee Investments Act and Pension Fund Regulations, and to authorise the Council's seal to be affixed to stock transfer forms, rights issues and other investment forms.

- To enter into agreements on the terms and conditions on which these investments are made by the Fund's managers.

- To enter into under-writing agreements.

- To monitor the investment decisions of the Fund managers and under the terms of the Local Government Pension (Investment) Regulations 1999 to ensure the need for diversification and stability of investments

Chief Officers

Chief Officers are specifically authorised to take decisions on behalf of the Council or its non-Executive Committees in cases of urgency, using the procedure for non-executive decisions on minor matters or the procedure for urgent non-executive decisions.

Urgent Non-Executive Decisions and Minor Matters

In relation to matters which are the responsibility of a Council Committee, subject to consultation with the Chair of the relevant committee and the nominated members of the two other main political groups or their nominees, Chief Officers shall have the power to act on behalf of the Council in cases of urgency and on minor matters, where the urgent matter is of such a nature that it may be against the Council's interest to delay and where it is not practicable to obtain the approval of the Council Committee. In the event of disagreement between the Members consulted, the matter shall be referred to the Chief Executive who may take the decision after consultation with the Leaders of all political groups or their nominees, and if appropriate, with the statutory officers. The safeguards set out below must be followed.

Safeguards

The procedure must only be used when considered essential to achieving the efficient administration of the service and for urgent matters consideration must be given to whether the matter can wait until the next scheduled meeting or whether the calling of a special meeting can be justified.

All decisions taken by officers under this delegated power must be reported for information to the next meeting of the appropriate committee.

Statement of compliance to guidance

Regulation 31(3)(c) requires LGPS administering authorities to measure their governance arrangements against the principles set out in the statutory guidance. Where compliance does not meet the published standard, there is a requirement under Regulation 31(3)(c) to give, in their governance compliance statement, the reasons for not complying.

Principle A – Structure

a. **The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**

b. **That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.**

c) **That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.**

d) **That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.**

	Not Compliant*				**Fully Compliant**
a)					√
b)				√	
c)					√
d)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) **No formal representation of ex-members (pensioners/deferred members).**

Please use this space if you wish to add anything to explain or expand on the ratings given above

Principle B – Representation

a) **That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :-**

> **i) employing authorities (including non-scheme employers, eg, admitted bodies);**
> **ii) scheme members (including deferred and pensioner scheme members),**
> **iii) where appropriate, independent professional observers, and**
> **iv) expert advisors (on an ad-hoc basis).**

b) **That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.**

	Not Compliant*				**Fully Compliant**
a)				√	
b)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

No formal representation of ex-members (pensioners/deferred members).

Please use this space if you wish to add anything to explain or expand on the ratings given above

<u>Principle C – Selection and role of lay members</u>

a) **That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant*				**Fully Compliant**
a)					√
b)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above

Principle D – Voting

a) **The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.**

	Not Compliant*				Fully Compliant
a)			√		

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

No formal documentation providing justification for not extending voting rights exists.

Please use this space if you wish to add anything to explain or expand on the ratings given above

Principle E – Training/Facility time/Expenses

a) **That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

	Not Compliant*				**Fully Compliant**
a)			√		
b)					√
c)			√		

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) **No formal documentation exists on the policy for training, facility time and expenses.** **No formal training log exists.**

Please use this space if you wish to add anything to explain or expand on the ratings given above

<u>Principle F – Meetings (frequency/quorum)</u>

a) **That an administering authority's main committee or committees meet at least quarterly.**

b) **That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.**

c) **That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented**

	Not Compliant*				**Fully Compliant**
a)					√
b)					√
c)				√	

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

No formal representation of ex-members (pensioners/deferred members).

Please use this space if you wish to add anything to explain or expand on the ratings given above

Principle G – Access

a) **That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**

	Not Compliant*				**Fully Compliant**
a)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above

Principle H – Scope

a) **That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements**

	Not Compliant*				**Fully Compliant**
a)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above **All key scheme issues (e.g. the exercise of discretions under the scheme's regulations) are subject to the rigorous supervision and oversight of the main committee.**

Principle I – Publicity

a) **That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.**

	Not Compliant*				**Fully Compliant**
a)					√

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above **The statement is published in various formats to LGPS employers, all types of scheme membership (i.e. actives/pensioners/deferreds), unions and non – LGPS employers.**

Appendix 2

Communications Policy Statement

London Borough of Harrow Pension Fund

September 2009

Contents

Introduction

This is the Communications Policy Statement of the Harrow Council Pension Fund, administered by Harrow Council, the Administering Authority.

The Fund liaises with a number of employers, namely:-

- **Harrow Weald Conservators**
- **North London Collegiate School**
- **St. Dominic's VI Form College**
- **Harrow College**
- **Stanmore College**
- **Supporta Care**
- **Care UK**
- **Harrisons**
- **Hughes Gardner Cleaning and Support Services Ltd.**
- **Kier Group**
- **Hayward Services Ltd**

and approximately 14,350 scheme members (5600 active members, 4550 deferred members and 4200 pensioner members) in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

It is effective from 1 September 2009.

Any enquiries in relation to this Communication Policy Statement should be sent to:
Linda D'Souza - Service Manager – Shared Services
Harrow Council
Shared Services
3rd Floor, South Wing
Civic Centre
Station Road
Harrow
HA1 2XF

TEL: 020 8424 1186 Fax: 0208 424 1196

email: linda.d'souza@harrow.gov.uk

Regulatory Framework

This policy statement is required by the provisions of Regulation 106B of the Local Government Pension Scheme Regulations 1997 (as amended) and subsequently by Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008. The provision requires Harrow Council as the Administering Authority to:

"*….prepare, maintain and publish a written statement setting out their policy concerning communications with:*
(a) members.
(b) representatives of members.
(c) prospective members.
(d) employing authorities."

In addition it specifies that the statement must include information relating to:

"(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employing authorities."

As a provider of an occupational pension scheme, Harrow Council is already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. Previously the disclosure requirements have been prescriptive, concentrating on timescales rather than quality. From 6 April 2006 more generalised disclosure requirements were introduced, supported by a Code of Practice. The type of information that pension schemes are required to disclose will remain very much the same as before, although the prescriptive timescales are being replaced with a more generic requirement to provide information within a *"reasonable period"*. The draft Code of Practice[1] issued by the Pensions Regulator in September 2005 sets out suggested timescales in which the information should be provided. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met. A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Management section of this document, alongside those proposed by the Pension Regulator in the draft Code of Practice.

[1] Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005

Responsibilities and Resources

The legal duty for the proper administration of the Harrow Council Pension Fund lies with Harrow Council. Communication material is raised through the Shared Services Pension's Team and validated through the Harrow Communications Unit. The Shared Services Pension's Team write all communications including information published on the Internet/Intranet. The team is also responsible for arranging all forums, pension surgeries, workshops and meetings covered within this statement. The Shared Services Pension's Team report through the recognised organisational unit hierarchical structure, ultimate responsibility for ensuring compliance lies with the Divisional Director – Shared Services.

Printing documentation is either carried out internally through Shared Services or through Harrow's appointed printing contractor.

Communication with key audience groups

Our audience

The Shared Services Pension's Team communicates with a number of stakeholders on an on-going basis. For the purpose of this communication policy statement, the team are considering engagement with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- debit / credit members;
- prospective members;
- scheme employers and admission bodies;
- union representatives;
- Elected Members;
- chief officers
- Shared Services pensions administration staff

In addition there are a number of other stakeholders with whom Harrow Council communicate on a regular basis, such as Her Majesty's Revenue and Customs, Communities & Local Government, Department of Works and Pensions, Pensions Advisory Service, Solicitors, actuaries and other pension providers. Harrow Council has also considered, as part of this policy, how it communicates/engages with these interested parties.

How we communicate

General communication

Harrow Council has set in place a number of initiatives that will assist in moving towards the Government's e-gov agenda. Pension information, for the most part, is delivered through paper based communications. Harrow has put in place alternative communication mediums (e.g. documents in Braille, large print, audio tapes, etc) to ensure that it caters for the needs of special groups. Additionally Harrow utilises Internet/Intranet mediums and is currently investigating, in consultation with Harrow's Audit unit, both email and internet self-service as mediums that will facilitate a gradual move away from paper communications and reduce communication costs.

Within the pension team, staff are responsible for all administration of the Local Government Pension Scheme. Any member of staff within the team can deal with general telephone calls, written correspondence or visitors. Communications of more complicated pension issues are managed amongst the pension's senior management.

Telephony feed is either through a dedicated direct dial number or alternatively directly to the main Harrow Council switchboard and then onward transfer to one of the pension teams' extensions.

Branding

As the Pension Fund is administered by Harrow Council, all literature and communications will conform to the Council's branding policy.

Accessibility

Harrow Council serves a culturally rich and diverse client base and is conscious of the fact that access to information requires varied forms of communication. Any material required in an alternative format or language is managed in line with a specific request. All publications include details of how a request for alternative communication format is requested.

Policy on Communication with Active, Deferred and Pensioner Members

Our objectives with regard to communication with members are:

Key communication objectives will, over and above individual communications with members (e.g. notification of scheme benefits, response to an individual enquiries, etc), be managed as detailed below:

- for the LGPS to be used as a tool in the recruitment and retention of employees, and therefore assisting in both Harrow Council and associated bodies becoming employers of choice.
- to better educate and explain to members the benefits of the LGPS.
- to provide the diverse client base with increased opportunity to engage on pension related matters through the most appropriate medium.
- as a result of improved communication, for enquires and complaints to be resolved at the earliest opportunity and to the client's satisfaction.
- In line with the Government's agenda in relation to individuals making adequate financial arrangements for retirement, increase take up of LGPS membership.
- to ensure that all stakeholders, whether they be active members, pensioners or Elected Members have sufficient material to hand to inform pension-related judgements.

Method of Communication	***Media***	***Frequency of issue***	***Method of Distribution***	***Audience Group (Active, Deferred, Pensioner or All)***
Scheme Guide	Paper based and through Harrow's Internet/Intranet	At joining and major scheme changes	Post to home address/via scheme employers & online	Active
Newsletters	Paper based and through Harrow's Internet/Intranet	Annually and ad hoc to reflect timely notification of major scheme changes	Post to home address & online	Separately for active, deferred and pensioners
Pension Fund Report and Accounts	Paper based and through Harrow's Internet/Intranet	Annually	Hard copy on request & online	All
Pension Fund Accounts – Summary	Paper based and through Harrow's Internet/Intranet	Annually	Post to home address.& online	Separately for active and deferred
Annual Benefit Statements	Paper based	Annually	Post to home address	Active and deferred
Factsheets	Paper based and through Harrow's Internet/Intranet	Topic specific information sheets	Post to home address & online	Active and deferred
Website –	Electronic	Continually	Loaded for key	All

Harrow Intranet		available	communications	
Pension Surgeries	Face to face	On request	On request	Active
One to one education sessions	Personal interview	On request	On request	All
Question and Answer sessions	Paper based, Harrow Intranet & seminars	Quarterly	Various	Active

Explanation of communications

Scheme Guide - A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.
Newsletters - An annual newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as European / British pension matters, payroll pay dates/deadlines, a summary of the accounts for the year, contact details, etc.
Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, (e.g. current employer bodies and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.
Pension Fund Report and Accounts Summary – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.
Annual Benefit Statements – For active members these include the current value of benefits to 31 March as well as the projected benefits at age 65. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. The annual benefit statement is a combined publication and includes the members state benefits as advised through the Department for Works and Pensions.
For deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.
Fact sheets – These are leaflets that provide some detail in relation to specific topics, such as topping up pension rights, death benefits and pension rights on divorce etc.
Harrow Intranet – The Intranet will provide scheme specific information, forms that can be printed or downloaded, access to documents (e.g. newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.
Harrow website – The website also provides scheme specific information, forms that can be printed or downloaded, access to documents (e.g. newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.
Pension Surgeries – Pension surgeries provide the opportunity for groups of staff (i.e. 6 or more) to arrange a personal visit, at their place of work, from a member of the team.
One to one education sessions – These sessions offer the individual a confidential interview with a member of the team.
Question and Answer Sessions – Organised on a quarterly basis this gives pension scheme member's the opportunity to quiz the Harrow Pension team on all pension specific matters.

Policy on promotion of the scheme to Prospective Members and their Employing Bodies

Our objectives with regard to communication with prospective members are:

- for the LGPS to be used as a tool in the recruitment of employees, and therefore assisting in both Harrow Council and associated bodies becoming employers of choice.
- to better educate and explain to members the benefits of the LGPS.
- to provide the diverse prospective client base with increased opportunity to engage on pension related matters through the most appropriate medium.
- In line with the Government's agenda in relation to individuals making adequate financial arrangements for retirement, increase take up of LGPS membership.
- to ensure that prospective members have sufficient material to hand to inform pension-related judgements.

The Shared Services Pension's Office does not have immediate access to prospective members, however, the benefits of a final salary defined benefit scheme is referenced in job vacancy advertisements. Promotional material and educational visits are provided for employing bodies.

Method of Communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Overview of the LGPS - Guide	Paper based, DVD and Internet	On commencing employment	Via employers	New employees
Promotional Brochure	Paper based	Annually	Via employers	Existing/New employees
Membership Specific Reminder	Paper based	Annually	Post to home address	Current Non LGPS Harrow Council employees

Explanation of communications

Overview of the LGPS – Guide - A short leaflet that summarises the costs of joining the LGPS and the benefits of doing so. A DVD has also been produced which is sent out with the joining packs. All this information is available on Harrow's Internet pages.
Promotional Brochure – These will be designed to help those who are not in the LGPS to understand the benefits of participating in the scheme and provide guidance on how to join the scheme.
Membership Specific Reminder – Through a combination of individual letter and promotional brochure provide current Harrow Council employees, who have not joined the LGPS, with sufficient information to revisit their earlier decision.

Policy on communication with Employing Bodies

Our objectives with regard to communication with employers are:

- to establish sound working arrangements to assist with a free flow of relevant information.

- Given the increased costings associated with funding a final salary defined benefit scheme, provide the employing bodies with sufficient information to assist them in their planning for future employer contribution rates.

- to provide a database infrastructure that will assist in maintaining an accurate database.

- To provide literature and processes around starters, changes during employment, leavers, retirees thereby ensuring smooth data transfers in relation to all staffing issues.

- to ensure they understand the benefits of being an LGPS employer.

- to assist the employing body in the development of their discretionary policy.

Our objectives will be met by providing the following communications:

Method of Communication	***Media***	***Frequency of issue***	***Method of Distribution***	***Audience Group***
Employers' Guide	Paper based and electronic file format	At joining and updated as necessary	Post , email and via data storage medium	Main contact for all employers
Newsletters	Paper based	Annually	Post & email	Main contact for all employers
Annual employers meeting	Annual meeting with key employing body personnel	Annually	Meeting	Employing body management
Employers' focus groups	Quarterly seminars	Quarterly	Attendance at seminars	All LGPS employees
Harrow Pension Fund Report and Accounts	Paper based	Annually	Post	Employing body
FRS17 report	Paper based and electronic file format.	Annually	Hard copy post and data storage medium.	Employing Body.
Service Level Agreement	Paper based and electronic file format.	Start of admission agreement and revised at contract renewal.	Hard copy post and data storage medium	Admitted Body

Explanation of communications

Employers' Guide - A detailed communication that provides guidance on the employer's duties responsibilities. Assists employer in ensuring that it meets its statutory obligations within the prescribed timescales (e.g. publication of policy on discretions).
Newsletters – A technical briefing document that will include recent changes to the scheme, the impact on Pension Section administration and other relevant information.
Annual Employer's Meeting – A formal seminar style event where the Harrow Pension team provide an annual update and the employing body get to question all aspects of the support arrangements.
Employers' focus groups – Generally workgroup style sessions set up to debate current issues within the LGPS with representatives of all employing bodies.
Harrow Pension Fund Report and Accounts Summary – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.
FRS17 Report – This is a national accounting standard that all authorities administering pension funds must follow. FRS17 requires an organisation to account for retirement benefits when it is committed to give them, even if the actual giving will be many years to come.
Service Level Agreement – Document that sets out, alongside the admission agreement, the duties and responsibilities of both parties for the duration of the service contract.

Policy on communication with Union Representatives

Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the scheme to union members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme and to ensure that Union representatives have full vision and opportunity to respond on all CLG and HMRC consultations
- to harness union communications in a joint venture to explain the benefits of the LGPS to prospective and current members
- to liaise with unions and provide every assistance in supporting union officers in their learning and understanding of the LGPS

Our objectives will be met by providing the following communications:

Method of communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Briefing papers	Paper based and electronic	As and when there are scheme changes	Email or hard copy	All union members of the LGPS
Education sessions	Paper based and electronic	On request or following suggestion of Harrow's Pension's Team	Various	Union representatives
Pension Panel	Reports &	In line with	Notification	Named union

meetings	Meeting	published Panel meeting cycle	through Committee Services	representatives

Explanation of communications

Briefing papers – a briefing that highlights key issues and developments relating to the LGPS and the Fund.
Education sessions – these are education sessions that are available on request for union representatives, [e.g. to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies]
Pension Panel meetings – a formal meeting of Elected Members, attended by Council Senior Officers, Investment Managers, invited Pension specialists and union members.

Policy on communication with Elected Members

Our objectives with regard to communication with Elected Members:

- to ensure that Elected Members receive sufficient briefings/training to allow them to carry out their statutory duties and responsibilities in line with HMRC and LGPS legislation.
- to seek Elected Member approval to the development or amendment of discretionary policies,
- to seek Elected Members approval to formal responses to government consultation in relation to the scheme
- to ensure that Elected Members have sufficient detail in order to make an informed judgement in relation to early retirement cases
- to ensure that Elected Members have full vision of actuarial reports, particularly those that impact on the Harrow Pension Fund.

Our objectives will be met by providing the following communications:

Method of Communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Training sessions	Pension seminars	Following member elections or timely briefings to ensure Elected Members are aware of scheme changes.	LGPS specific seminar	All Elected Members.
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All Elected Members
Pension Meetings	Meeting	In line with the published Committee / Panel meeting cycle.	Members elected onto Licensing & General Purposes Committee	All members of the Pension Committee/Panel

			and Pension Panel	
Report and verbal briefing	Meeting	As and when required	Report and verbal briefing	Cabinet
Early Retirement Pension Panel	Meeting or Urgent Action	As and when required.	Report	Panel members

Explanation of communications

Training Sessions – providing a broad overview of the main provisions of the LGPS, and Elected Member's key duties and responsibilities.
Briefing papers – a briefing that highlights key issues and developments to the LGPS .
Pension Meetings – Reports submitted to the Licensing & General Purposes Committee and Pensions Investment Panel.
Report and Verbal Briefing – Occasions when The Cabinet require vision of forthcoming pension changes that could impact on Corporate Priorities or have significant budget implications.
Early Retirement Pension Panel meetings - a formal meeting of elected members, attended by Council Senior officers where Elected Members consider and mage judgement on presented cases.

Policy on communication with Shared Services Pensions Team

Our objectives with regard to communication with pension administration staff are:

- ensure they are aware of changes and proposed changes to the LGPS scheme.
- to provide new and established staff with access to both internal and external training
- through a combination of utilising task management and re-engineering service processes continuously monitor and develop potential for service improvements; readjusting performance measures and targets, where appropriate

Our objectives will be met by providing the following communications:

Method of Communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Identify training/development needs as part of IPAD	IPAD documentation	Annual exercise, reviewed at 6 months. Informal bi-monthly meetings	IPAD process	All pensions staff
Staff meetings	Informal briefings	As and when required	By arrangement	All pensions staff
Attendance at external courses	Externally provided	As and when required	By email, paper based	All pensions staff

Explanation of communications

IPAD – Formal staff review process where future training/development needs are identified in relation to the team's strategic priorities.

Staff meetings - Informal training sessions – which provide new and established staff with timely update on changes to pension legislation or processes and an opportunity to discuss such amendments with senior members
Attendance at external courses – to provide more tailored training where it is cost-effective to use external trainers

Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide key information in a timely manner, ensuring full compliance with the requirements of the Data Protection and Freedom of Information Acts.

Our objectives will be met by providing the following communications:

Method of Communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Reports/written response/electronic postings	Various	Reports published annually and 'As and When required' in relation to general enquiries	Various	All Harrow constituents and other interested parties.

Explanation of communications

Reports/written response/electronic postings – Annual reports are published either through established communications (e.g. newsletters) or posted on the Council's Intranet site. Other ad hoc requests are responded to in light of the specific information request and utilising the most appropriate communications medium.

Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our statutory obligations in relation to notifications and consultations
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's Additional Voluntary Contribution schemes

Our objectives will be met by providing the following communications:

Method of Communication	***Media***	***Frequency of Issue***	***Method of Distribution***	***Audience Group***
Pension Fund valuation reports	Electronic	Every three years	Via email	Communities & Local

• Revenue & Adjustment (R&A) certificate • Revised R&A certificates • Cessation valuations				Government (CLG), Her Majesty's Revenue and Customs HMRC)/all scheme employers
New admission agreements	Hard copy/electronic format	As new employers are entered into the Fund	Post/electronic submission	CLG/HMRC
Formal resolution of pension disputes	Hard copy or electronic format	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/ the Pensions Ombudsman
Completion of questionnaires	Hard copy or electronic format	As and when required	Via email or post	CLG/HMRC/the Pensions Regulator

Explanation of communications

Pension Fund Valuation Reports – a statutory report issued every three years by the scheme appointed actuary, setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date
New admission agreements – a legal requirement to notify both the Secretary of State and the HMRC of new admitted bodies.
Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute
Completion of questionnaires – Annual Survey

Performance Measurement

The Shared Services Pension's Team already has performance measures set in place and in order to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

Timeliness

We will measure against the following target delivery timescales:

Communication	***Audience***	***Statutory delivery period***	***Target delivery period***
Scheme booklet	New joiners to the LGPS	Within two months of joining	Within 3 days of joining the LGPS
Annual Benefit Statements as at 31 March	Active members	On request	July each year
Telephone calls	All	Not applicable	All phone calls to be answered within 3 rings
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	Retirement benefits to be issued within 3 working days of retirement
Issue of deferred benefits	Leavers	Within two months of withdrawal	Within working 8 days of relevant paperwork
Transfers in	Joiners/active members	Within two months of request	Within 5 days of receiving relevant paperwork
Issue of forms i.e. expression of wish	Active members	N/A	Within 3 days of joining the LGPS
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within one month of change coming into effect
Annual Pension Fund Report and Accounts	All	Within two months of request	Within five working days

Quality

Audience	*Method*	*To consider*	*Notes*
Active and deferred members	Paper based survey with annual benefit statements	All services	Client can benchmark against published service targets.
All member types	Assessment against system report	Performance against task management pre-defined performance measures.	One task chosen each quarter from: retirements new starts and transfers in transfers out deferred leavers
All member types	Focus group meeting on half yearly basis	All services and identify improvement areas/new services	Representative group of all member types. To include union representatives.
Employers	Focus Groups	Scheduled / Admitted body specific issues	Regular feedback sessions.

Results

The Pensions office publish, annually, performance against client-agreed targets. Elected Members receive copy of all performance reports through the Committee / Panel reporting cycle.

Review Process

Our communication policy will be reviewed on an annual basis, to ensure it meets audience needs and regulatory requirements. A current version of the policy statement will always be available either through the pension's office, at:

Shared Services
Harrow Council
3rd Floor South Wing
Civic Centre Station Road
Harrow Middlesex HA1 2XF

or on our Internet site under www.harrow.gov.uk – Advice & Benefits – Local Government Pension Scheme

Appendix 3

A brief guide to the Local Government Pension Scheme
Employees in England and Wales – April 2013
Highlights of the Local Government Pension Scheme (LGPS)

The LGPS gives you:

Secure benefits –
the scheme provides you with a future income, independent of share prices and stock market fluctuations.

At a low cost to you –
with tax-efficient savings and lower National Insurance contributions for most people under *State pension age*.

And your employer pays in too –
the scheme is provided by your employer who meets the balance of the cost of providing your benefits in the LGPS.

You can look forward to your retirement with the LGPS with:

A secure pension –
the benefits you get when you retire are based on the length of your membership in the scheme and your final year's pay. The pension you build up during your employment keeps pace with your pay rises. And after you retire, your pension keeps pace with cost of living increases.

Tax-free cash–
you have the option to exchange part of your pension for some tax-free cash on your retirement.

Peace of mind –
your family enjoys financial security, with immediate life cover and a pension for your husband, wife, civil partner or nominated co-habiting partner and eligible children in the event of your death and, if you ever become seriously ill, you could receive immediate ill health benefits.

Early retirement –
you can choose to retire from age 60 and receive your benefits immediately, although they may be reduced for early payment. It's also possible to retire from age 55 and receive your benefits immediately, provided you have your employer's consent or you are made redundant or retired in the interests of business efficiency.

Flexible retirement–
if you reduce your hours or move to a less senior position at or after age 55 you can, provided your employer agrees, draw some or all of the benefits you have built up, helping you ease into retirement, although your benefits may be reduced for early payment.

Options to pay extra –
you can boost your pension by paying more contributions. You get tax relief on these, too.

The scheme

This guide is a short description of the conditions of membership and main scheme benefits that apply if you pay into the LGPS on or after 1 April 2008.

What kind of scheme is it?
The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is contracted out of the State Second Pension scheme (S2P). The LGPS is a qualifying scheme under the automatic enrolment provisions of the Pensions Act 2008. The benefits under the LGPS are based on the length of your membership and your final year's pay. It is very secure because the benefits are set out in law.

Who can join?
The LGPS covers local government and other organisations that have chosen to participate in it. To be able to join the LGPS you need to be under age 75 and if you are employed by a designating body, such as a town or parish council, or an ***admission body***, you can only join if your employer nominates you for membership of the scheme. Police officers, operational firefighters and, in general, teachers are not allowed to join.

If you start a job in which you are eligible for membership of the LGPS you will be brought into the scheme, unless your contract of employment is for less than 3 months in which case you can opt to join by completing an application form.

If you are brought into the scheme you have the right to opt out. You cannot complete an opt out form until you have started your employment.

How do I ensure that I have become a member of the LGPS?
On joining the LGPS relevant records will be set up and an official notification of your membership of the LGPS will be sent to you. **You should check your pay slip to make sure that pension contributions are being deducted.**

Can I opt-out of the LGPS and re-join at a later date?
You can leave the LGPS at any time on or after your first day of eligible employment by giving your employer notice in writing, although you will only be entitled to a refund of contributions if you leave the scheme within 3 months of joining. If you opt out of the LGPS before completing three months membership you will be treated as never having been a member. If you opt-out, you can opt back into the scheme provided at that time you are under age 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the LGPS.

If you opt out of the LGPS then:

- on the date your employer is required to comply with the automatic enrolment provisions under the Pensions Act 2008, your employer will **automatically enrol** you back into the LGPS provided at that time you are aged 22 or more and under ***State pension age*** and you earn more than £9440 a year in the job you've opted out from, or

- if on the date your employer is required to comply with the automatic enrolment provisions under the Pensions Act 2008, you are under age 22 or earning £9440 or less a year in the job you opted out from, your employer will **automatically enrol** you back into the LGPS in that job
  - from the day you reach age 22 provided you are earning more than £9440 a year in that job at that time, or
  - from the beginning of the pay period you earn more than £9440 for the first time in that job provided you are aged 22 or more and under ***State pension age*** at that time.

Your employer must notify you if this happens. You would then have the right to opt out of the LGPS.

If you stay opted out your employer will normally **automatically enrol** you back into the LGPS approximately every 3 years from the date they have to comply with the automatic enrolment provisions.

What do I pay?
Your contribution rate depends on how much you are paid but it's currently between 5.5% and 7.5% of your ***pay***. The rate you pay depends on which pay band you fall into.

If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the ***pay*** you actually earn.

Here are the pay bands and the rates that apply from April 2013.

If your Whole-Time pay rate is:	You pay a contribution rate of:
Up to £13,700	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
More than £87,100	7.5%

The pay band ranges will be increased each April in line with the cost of living.

Do I get tax relief?
As a member of the LGPS, your contributions will attract tax relief at the time they are deducted from your ***pay*** and you will be contracted out of the State Second Pension scheme (S2P). There are restrictions on the amount of tax relief available on pension contributions. If the value of your pension savings increase in any one year by more than the annual allowance of £50,000 you may have to pay a tax charge. Most people will not be affected by the annual allowance.

Whilst you are a member of the LGPS you will, prior to ***State pension age***, pay reduced National Insurance contributions.

Does my employer contribute?

Your employer pays the balance of the cost of providing your benefits in the LGPS. Every three years an independent review is undertaken to calculate how much your employer should contribute to the scheme.

Can I pay more to increase my benefits?
You can pay extra to increase your retirement benefits. You can do this either by paying ***Additional Regular Contributions (ARCs)*** to buy extra LGPS pension or by making payments to the scheme's ***Additional Voluntary Contributions (AVCs)*** arrangement. And you can pay extra to increase your dependant's benefits. Your pension fund can give you more information on these options. Contact details are at the end of this guide.
You are also able to make payments to a personal pension or stakeholder pension or free-standing AVC scheme of your own choice. You may wish to take independent financial advice before you make a decision about paying extra.

Can I transfer pension benefits into the LGPS?
Generally speaking, benefits that you have previously built up in the LGPS or in other pension arrangements can be transferred into the LGPS. An option to transfer must be made within twelve months of joining or such longer period as your employer allows.

What if I'm already receiving an LGPS pension – will it be affected?
If you are re-employed in local government or by an employer who offers you membership of the LGPS you must tell the LGPS fund that pays your pension about your new position, regardless of whether you join the scheme in your new position or not. If you are in receipt of a LGPS ill health pension which is of the type that is stopped if you are in any gainful employment, your pension may be affected and you must inform the employer who awarded you that pension if you take up employment (whether in local government or elsewhere). In either case, a check will then be made to see whether the pension you are being paid should be reduced or stopped.

Changes to the LGPS are planned for 2014, for details see the LGPS 2014 member website at www.lgps2014.org

Retirement
To be entitled to LGPS retirement benefits you have to have at least three months membership, or have transferred other pension rights into the LGPS, or already have a deferred benefit in the LGPS in England or Wales.

When can I retire?
You can retire and receive your LGPS benefits in full once you have reached age 65. The scheme also makes provision for the early payment of your LGPS benefits.

What are my LGPS retirement benefits?
When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the LGPS before 1 April 2008, your standard benefit package will include an automatic tax-free lump sum as described in **The benefits** section.

Can I retire before age 65?
You can elect to retire and receive your LGPS benefits from age 60 onwards. You may be able to voluntarily retire and receive your LGPS benefits from age 55 but only if your employer agrees. Employer's consent to draw benefits before age 60 is an employer discretion. Your employer must set out their policy on this in a published statement.

Are there any penalties for retiring before 65 and drawing immediate benefits?

If you voluntarily retire before age 65 your LGPS benefits, initially calculated as set out in **The benefits** section below, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if you joined the LGPS before 1 October 2006 and would have at least 21 years scheme membership if you stayed in the scheme to age 65 you will:

a) have some protection from the reduction in respect of benefits you build up in the scheme up to 31 March 2016 if you will be 60 by then, or
b) in any other case, have some protection from the reduction in respect of any benefits you've built up in the scheme up to 31 March 2008. Also, if you will be 60 between 1 April 2016 and 31 March 2020, you may have some further protection on a sliding scale in respect of benefits you build up between 1 April 2008 and 31 March 2020 provided your combined age and scheme membership, both in whole years, would be 85 or more by 31 March 2020.

If you voluntarily retire before age 65, or retire on or after age 65, you can defer drawing your benefits but you must draw them before age 75. If you draw your pension after age 65, your benefits will be paid at an increased rate to reflect late payment.

What if I lose my job through redundancy or business efficiency?
If you are aged 55 or over you will be entitled to the immediate unreduced payment of your LGPS benefits.

What happens if I have to retire early due to ill health?
If you have to leave work at any age due to permanent ill health, which has to be certified by an independent occupational health physician appointed by your employer, the scheme provides a tiered ill health retirement package. This could give you benefits, paid straight away, and which could be increased if you are unlikely to be capable of gainful employment within 3 years of leaving.

What if I want to have a gradual move into retirement?
This is known as flexible retirement. From age 55, if you reduce your hours or move to a less senior position, and provided your employer agrees, you can draw some or all of the pension benefits you have built up – helping you ease into retirement. If you take flexible retirement before age 65 your benefits may be reduced to take account of their early payment unless your employer agrees to waive the reduction in whole or in part. You can continue paying into the LGPS on your reduced hours or in your new role, building up further benefits in the scheme. Flexible retirement is at the discretion of your employer and they must set out their policy on this in a published statement.

What if I carry on working after age 65?
If you carry on working after age 65 you will continue to pay into the scheme, building up further benefits. We will pay your pension when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with your employer's consent, whichever occurs first. If you draw your pension after age 65 it will be paid at an increased rate to reflect the fact that it will be paid for a shorter time. Your pension has to be paid by your 75th birthday.

The benefits

How much will my pension be?
Your pension is based on the length of your membership in the scheme and your final year's pay. If you are part-time, your scheme membership will count at its part-time length when working out your pension and your final year's pay is increased to what you would have received had you been full-time. For membership you build up after 31 March 2008 you

receive an annual pension based on 1/60th of your final year's pay. **The examples below** show how benefits based on membership in the LGPS built up after 31 March 2008 are calculated.

What pay is used to calculate retirement benefits?
Your retirement benefits will be calculated on your final year's pay. That is, the ***pay*** due in respect of your final year. If you are part-time, your final year's pay is increased to what you would have received had you been full-time. However, your benefits can be calculated on one of the two previous years' pay if better. Also, if your ***pay*** is reduced, or increases to your ***pay*** are restricted, in your last 10 years of continuous employment with your employer, you may have the option to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March), provided you opt to do so by writing to the pension fund no later than one month before leaving. You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

Can I exchange part of my pension for a lump sum?
You can exchange part of your annual pension for a one off tax-free cash payment. You will receive £12 lump sum for each £1 of pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum providing the total lump sum does not exceed £375,000 (2013/14 figure) less the value of any other pension rights you have in payment. Details of the maximum tax-free cash payment you can take will be given to you shortly before your retirement. It is at that time you need to make a decision.

Example of pension and lump sum option calculation for membership after 31 March 2008.

Full-time employee

On retirement at age 65, a scheme member has 20 years total membership and has final year's pay of £15,000.

Their **annual pension** is:
20 years x 1/60 x £15,000 = **£5,000**

If they decide to give up £1,000 pension for a cash lump sum, then their **reduced annual pension** is:

£5,000 less £1,000 = **£4,000**

And they will get a tax- free lump sum of:
£1,000 x 12 = £12,000

Part-time employee

If the same employee had worked half-time (i.e. 20 years at half-time = 10)

Their **annual pension** would be**:**
10 years x 1/60 x £15,000 = **£2,500**

If they decide to give up £500 pension for a cash lump sum, then their **reduced annual pension** is:

£2,500 less £500 = **£2,000**

And they would get a **tax-free lump sum** of:
£500 x 12 = **£6.000**

If you joined the LGPS before 1 April 2008
Your benefits for membership before 1 April 2008 are calculated differently. For LGPS membership you have built up to 31 March 2008 you receive an annual pension based on 1/80th of your final year's pay **and** an automatic tax-free lump sum of three times your pension. Like the pension, the automatic lump sum is based on your LGPS membership before 1 April 2008 and your final year's pay. You can also exchange part of your pre April 2008 pension for extra lump sum as described earlier.

Taking AVCs as cash
If you pay ***Additional Voluntary Contributions (AVCs)*** via the LGPS you may elect to take up to 100% of the accumulated fund in your AVC account as a tax-free lump sum if you draw it at the same time as your LGPS pension benefits **provided,** when added to the LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund) and the total lump sum does not exceed £375,000 (2013/14 figure) less the value of any other pension rights you have in payment. Details of this option will be given to you shortly before your retirement.

Will my pension increase?
The LGPS provides statutory pension increases. This means that on retiring on or after age 55 your pension will be increased each year in line with the cost of living. Ill health pensions are increased each year in line with the cost of living regardless of age.

Protection for your family

What benefits will be paid if I die?
If you die in service as a member of the LGPS the benefits shown below are payable.

- A lump sum death grant of 3 years pay. If you are part-time, it's 3 years part-time pay.
- Pensions for ***eligible children***.
- A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated co-habiting partner's pension, equal to 1/160th of your final year's pay times the total membership you would have built up in the LGPS to age 65. If you are part-time, membership to age 65 is calculated assuming you had remained part-time through to then. However, a nominated co-habiting partner's pension will be less than this if you have membership in the scheme before 6 April 1988 and you have not opted to pay additional contributions so that it counts towards a nominated co-habiting partner's pension.

If you are part-time and die in service and you have reduced your hours as a result of a condition or illness that, in the opinion of an independent occupational health physician, subsequently results in your death, then such a reduction in your hours is disregarded both in calculating the pay to be used for the lump sum death grant and in calculating the membership for any survivor's and children's pension payable.

If you die after retiring on pension, a widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated co-habiting partner's pension and pensions for ***eligible children*** are payable. A widow's or widower's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on unless you marry after retirement in which case it could be less. A civil partner's pension is equal to 1/160th of your final year's pay times the total membership your pension is based on. A nominated co-habiting partner's pension is equal to 1/160th of your final year's pay times your membership in the scheme from 6 April 1988, plus any of your membership before 6 April 1988 for which you have paid additional contributions so that it counts towards a nominated co-habiting partner's pension. A death grant is payable if less than 10 years pension has been paid and you are under age 75 at the date of death. The amount payable would be 10 times your annual pension reduced by any pension already paid to you (ignoring any reduction in your pension as a result of re-employment by an employer offering membership of the LGPS).

A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

A co-habiting partner is someone you are living with as if you are married or in a civil partnership. To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS. If you wish to make a nomination you can request a form from the Pension Section.

The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. The scheme's administering authority, however, retains absolute discretion when deciding on who to pay any death grant to. You can find out how to contact the pension fund at the end of this guide.

Leavers without an immediate entitlement to benefits

Refunds of Contributions
If you leave or opt out of the scheme with less than three months total membership, have not brought a transfer into the LGPS and do not already have a deferred benefit in the LGPS in England or Wales, you will normally be able to take a refund of your contributions. There will be a deduction for tax and the cost, if any, of buying you back into the State Second Pension scheme (S2P).

Deferred benefits
If you leave before age 65 and your total membership is three months or more or you have transferred other pension rights into the LGPS, or you already have a deferred benefit in the LGPS in England or Wales, you will be entitled to deferred benefits within the LGPS. Your deferred LGPS benefits will be calculated as described in **The benefits** section using the length of your membership up to the date that you left the scheme. During the period your pension benefits are deferred they will be increased each year in line with the cost of living.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65, but:

- they may be put into payment earlier, and in full if, because of ill health, you are permanently incapable of doing the job you were working in when you left the LGPS and you have a reduced likelihood of being capable of any gainful employment within 3 years of applying for the benefit or by age 65, whichever is the earlier; or
- you can, if you wish, elect to receive your deferred benefits early from age 60 onwards; or
- if your former employer agrees, you can elect to receive your deferred benefits from age 55. You must have your former employer's consent to draw your benefits before age 60; or
- you can, if you wish, elect not to draw your deferred benefits at age 65 and defer drawing them till some time later (although they must be paid by age 75).

Benefits paid early, other than on the grounds of permanent ill health, may be reduced to take account of their early payment and the fact that your pension will be paid for longer. Conversely, benefits paid after age 65 will be increased.

If you leave with deferred benefits and you die before they come into payment, a lump sum death grant equal to 5 years' pension will be paid. The LGPS allows you to say who you would like any death grant to be paid to by completing an expression of wish form. This form is available from the pension section on request. The scheme's administering authority, however, retains absolute discretion when deciding on who to pay any death grant to.

A widow's, widower's, civil partner's or, subject to certain qualifying conditions, a nominated co-habiting partner's pension and pensions for ***eligible children*** will also be payable. A widow's or widower's pension is equal to 1/160th of your final year's pay times the total membership your deferred pension is based on unless you marry after leaving in which case it could be less. A civil partner's pension is equal to 1/160th of your final year's pay times the total membership your deferred pension is based on. A nominated co-habiting partner's pension is equal to 1/160th of your final year's pay times your membership in the scheme from 6 April 1988, plus any of your membership before 6 April 1988 for which you have paid additional contributions so that it counts towards a nominated co-habiting partner's pension. To nominate a co-habiting partner for a survivor's pension your relationship has to meet certain conditions laid down by the LGPS.

You can find out how to contact the pension fund at the end of this guide.

What if I have two or more LGPS jobs?

If you have two or more jobs where you pay into the LGPS at the same time and you leave one (or more) but not all of them, and you are entitled to deferred benefits from the job (or jobs) you have left, you can choose to transfer your deferred benefits to the job you are continuing in. If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you will be able to transfer your benefits to the job you are continuing in. The amount of membership you will be granted in the continuing job will be adjusted to reflect any difference in the whole-time rates of pay between the jobs.

Transferring your benefits

If you leave the scheme and you are entitled to deferred benefits or a refund you can generally transfer the cash equivalent of your pension benefits into a new employer's scheme (if they are willing and able to accept it), into a personal or stakeholder pension scheme, or into a 'buy-out' insurance policy. You cannot transfer your benefits if you leave less than one year before age 65. An option to transfer must be made before age 64 or, if later, within 6 months of leaving. The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993 and any value quoted is guaranteed for three months.

Alternatively, if you return to employment with an employer participating in the LGPS, then you may elect for the pension rights that you have built up to be added to your new period of membership in the scheme. Such an election must be made within twelve months of re-joining the scheme or such longer period as your employer allows.

Keep in touch – remember to let the pension fund know if you move house.

Help with pension problems

Who can help me if I have a query or complaint?

If you are in any doubt about your benefit entitlements, or have a problem or question about your LGPS membership or benefits, please contact the pension fund**.** They will seek to clarify or put right any misunderstandings or inaccuracies as quickly and efficiently as possible. If your query is about your contribution rate, please contact your employer's personnel/HR or payroll section so they can explain how they have calculated your contribution rate.

If you are still dissatisfied with any decision made in relation to the scheme you have the right to have your complaint reviewed under the Internal Disputes Resolution Procedure and, as the scheme is well regulated, there are also a number of other regulatory bodies that may be able to assist you.

The various procedures and bodies are:

- **Internal Disputes Resolution Procedure**
  In the first instance you should write to the person nominated by the body who made the decision about which you wish to appeal. You must do this within six months of the date of the notification of the decision or the act or omission about which you are complaining, or such longer period as the nominated person may allow. The nominated person will consider your complaint and notify you of his or her decision. If you are dissatisfied with that person's decision, (or their failure to make a decision), you may apply to the scheme's administering authority to have it reconsidered.

  A leaflet explaining the Internal Disputes Resolution Procedure including relevant time limits is available from the pension fund.

- **The Pensions Advisory Service (TPAS)**
  TPAS is available at any time to assist members and beneficiaries of the scheme in connection with any pensions query they may have or any difficulty which they cannot resolve with the scheme administrator. TPAS can be contacted at:

  11 Belgrave Road
  London
  SW1V 1RB Telephone 0845 601 2923

- **Pensions Ombudsman**
  In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure or with the help of TPAS, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman. The Pensions Ombudsman can be contacted at:

  11 Belgrave Road
  London
  SW1V 1RB Telephone 0207 630 2200

- **The Pensions Regulator**
  This is the regulator of work based pension schemes. The Pensions Regulator has powers to protect members of work based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

  Napier House
  Trafalgar Place
  Brighton
  BN1 4DW Telephone 0870 6063636

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependants) who have lost touch with previous schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service please write to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA Telephone 0845 6002 537

Don't forget to keep your pension providers up to date with any change in your home address.

Some terms we use

Additional Regular Contributions (ARCs)

These are extra payments to buy up to £5,000 of extra annual LGPS pension in blocks of £250.

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission body

This is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Pay

The pay on which you normally pay pension contributions is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, maternity pay, paternity pay, adoption pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

State pension age

This is the earliest age you can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The Government has announced that it will speed up the pace of State pension age equalisation for women, so that women’s State pension age will reach 65 by November 2018.

State pension age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The State pension age will then increase to 66 for both men and women from December 2018 to October 2020.

Increase in State pension age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

Under current legislation the State pension age is due to rise to 67 between 2034 and 2036 and to 68 between 2044 and 2046. However the government has announced plans to revise the legislation so that the date when the State Pension Age rises to 67 is between 2026 and 2028 and that rises above age 67 will be linked to increases in life expectancy.

Further information and disclaimer

This guide is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in April 2013.

The Government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. **Changes to the LGPS are planned for 2014**, for details see the LGPS 2014 member website at www.lgps2014.org

This guide cannot cover every personal circumstance. For example, it does not cover unenhanced ill health retirement benefits. Nor does it cover rights that apply to a limited number of employees e.g. those whose total pension benefits exceed the lifetime allowance (£1.5 million in 2013/14), those whose pension benefits increase in any tax year by more than the annual allowance (£50,000 in 2013/14), those to whom protected rights apply, those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This short guide does not confer any contractual or statutory rights and is provided for information purposes only.

More detailed information about the scheme is available from:

Pensions Section
3rd Floor South Wing
Civic Centre
Station Road
Harrow
HA1 2XF

Email: Pension@harrow.gov.uk Tel: 0208 424 1186 Fax: 0208 424 7520

Appendix 4

LONDON BOROUGH OF HARROW

PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

LONDON BOROUGH OF HARROW PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

CONTENTS

This Statement of Investment Principles has been prepared in consultation with the Fund's investment managers and investment advisor. Fund members and other employing authorities will be given the opportunity to comment on the Statement and the Council will consider their views.

Approved by Harrow Council:

Date June 2013

Introduction

1.1 This is the Statement of Investment Principles (SIP) adopted by Harrow Council (the Council) in relation to the investment of assets of the Council's Pension Fund (the Fund). The Council is the Administering Authority of the Fund and, in that role it has responsibility to ensure the proper management of the Fund.

1.2 This SIP meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("The Regulations") and has been prepared after taking appropriate advice.

1.3 The Council, as administering authority, decides on the investment policies most suitable to meet the liabilities of the Pension Fund and has ultimate responsibility for investment strategy. These powers are exercised on its behalf by the Council's Pension Fund Committee. The Committee monitors investments, including manager performance, on a quarterly basis. Advice is received as required from the officers and the professional advisers. In addition, the Committee requires managers to periodically attend its meeting. The Committee is responsible for monitoring compliance with guidance given by the Secretary of State for Communities and Local Government. No exceptions have been identified.

1.4 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Board is satisfied that the appointed fund managers have sufficient expertise and experience to carry out their role

1.5 The LGPS is established by statute. The Pension Fund is a legally distinct account with contributions made by employees (fixed percentage of earnings) and employers. The primary objective of the Fund is to maximise performance and so minimise the level of employer contributions in order to meet the cost of pension benefits as required by statute. A related objective is to minimise the volatility of employer contribution rates as investment returns vary from year to year.

Investment Objectives

2.1 The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective as set out above, subject to an appropriate level of risk (implicit in the target) and liquidity. Over the long-term, it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation.

Investment Style

3.1 It is the Council's current policy that external fund managers are employed to administer the Fund's assets. The current structure as set out in the table below was implemented following the DGF manager selection day on 11th February 2013. A decision was made at the most recent Pension Fund Committee meeting on 6th March 2013, to invest 10% of the Fund in two DGFs amounting to £27 million in each of Barings and Standard Life., to be funded by a reduction in Equities together with the use of cash. The assets of the fund are mostly in "growth assets" i.e. those expected to generate additional ('excess') returns over the long term. These include equity, and private equity. The asset allocation also has a small allocation to “cash flow matching” assets, mainly index linked bonds. Corporate bonds, property and active currency provide both diversification and expected returns in excess of liabilities.

The table below shows the asset allocation structure.

Asset Class	Allocation	Range	Approach
UK Equities	26%		Passive
Overseas Equities	36%		Active Global Strategy
Total Equities	62%	58-68%	
Bonds	13% Corporate bonds 10.4% Index Linked gilts 2.6%	11-15%	Active Sterling aggregate benchmark plus gilts
Alternatives:-	10%	8-12%	
Property	10%	8-12%	Active Management
Private Equity	5%	N/A	Active Management
Currency	0%	N/A	
Total	**100%**		

3.2 The above allocations, ranges and the management structure comply with the limits set out in table 1 of The Regulations with the exception that the limit on single insurance contracts has been increased from 25% to the upper limit of 35% to permit investment in a passive UK equity portfolio. This decision will apply until the completion of the next strategic review or if earlier 31st March 2014. The decision to increase the limit complies with The Regulations.

3.3 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with the investment manager. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Private equity managers are remunerated through fees based on commitments and also performance related fees.

3.4 The investment strategy is reviewed periodically, with a major review taking place following each triennial actuarial review.

3.5 As of April 2012 cash balances are held in either or both of the two Pension Fund bank accounts; Current and Call account.

3.6 Actual asset allocations are monitored against the above structure and rebalanced as appropriate. The Section 151 officer has delegated authority to undertake a quarterly rebalancing of the equity and bond portfolios should they breach the above ranges. Any rebalancing activity authorised by the Section 151 officer will be reported to the next meeting of the Pension Fund Committee. Rebalancing within the bond portfolio is delegated to the fund manager.

3.7 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through funds, the fund appoints its own custodian.

3.8 A currency hedge equal to 50% on the non sterling equity exposure is maintained.

3.9 The Council does not engage in stock lending activities.

Performance

4.1 Performance targets are set on a three-year rolling basis in relation to the benchmark. The investment managers' performance is reviewed at quarterly and annual intervals by the WM Company who provides independent performance statistics.

Types of Investments

5.1 A management agreement is in place for each fund manager, setting out where relevant, the benchmark, performance target and asset allocation ranges. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with the Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets. The Regulations specify other investment instruments that may be used, for example, financial futures, traded options, insurance contracts, stock lending, sub-underwriting contracts.

5.2 The Regulations also specify certain limitations on investments. Principally, these place a limit of 10% of the whole fund in any single holding, or deposits with a single bank or institution, or investments in unlisted securities. The Council does however have discretion to adopt a higher statutory limit in respect of specific investments subject to formal agreement by the Council.

Investment Risk

6.1 Whilst the objective of the Council is to maximise the return on its investments, it recognises that this has to be within certain risk parameters and that no investment is without an element of risk. The Council acknowledges that the predominantly equity based investment strategy may entail risk to contribution stability, particularly due to the short term volatility that equity investments can involve. The longer term nature of the fund and the expected higher longer term returns expected of equity investments over bonds mean, however, that a high equity allocation remains an appropriate strategy for the Fund. Total risk arising from the investment strategy and its implementation is monitored as part of the tri-annual strategy review. Control ranges have been set to aid the monitoring of return and risk targets.

6.2 A policy of diversification for its investments and investment managers helps the Council to mitigate overall risk. Benchmarks and targets against which investment managers are expected to perform are further measures put in place to manage the risks for the fund. Manager performance is monitored quarterly with investigation of any significant deviations from intended strategy.

6.3 The fund has a positive cash flow that enables investment in illiquid asset class's e.g. private equity and property. More than 70% of the fund is invested in equities and bonds that are highly liquid.

6.4 The Council has established a currency hedge covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling.

6.5 Demographic factors including the uncertainty around longevity / mortality projections (e.g. longer life expectancies) contribute to funding risk. There are limited options currently available to fully mitigate or hedge this risk. The Council monitors liabilities using a specialist service (Club Vita) which provides a comprehensive analysis of the Fund's longevity data to enable them to understand and manage this issue in the most effective way.

The Realisation of Investments

7.1 A realisable (liquid) investment is one that can be readily converted into cash, for example to satisfy payments out of the Fund. The majority of the Fund's assets are highly liquid and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. Assets in the Fund that are considered to be illiquid include property and private equity. As a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

7.2 The Council has delegated to the fund managers responsibility for the selection, retention and realisation of assets.

Investment Advice

8.1 Professional advice on investment matters is taken from the investment practice of Aon Hewitt. Hymans Robertson provides actuarial services.

Social, Environmental or Ethical

9.1 The extent to which social, environmental and ethical considerations are taken into account in these decisions is left to the discretion of the fund managers. However, the Council expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties. The Council expects the fund managers to positively engage and seek to influence companies in which the Fund invests to take account of key social, environmental and ethical considerations.

Exercise of the Rights (including voting rights) attaching to investments

10.1 The Council is an active shareholder and will exercise its rights (including voting rights) to promote and support good corporate governance principles which in turn will feed through into good investment performance.

10.2 In practice, the Fund's equity holdings are wholly invested through pooled funds in which voting and engagement decisions are made by the fund manager. The Council encourages its fund managers to vote and engage with investee companies worldwide to ensure they comply with best practice in corporate governance in each locality. The fund managers provide reports on their voting and engagement activities.

Myners

11.1 The Myners principals codify best practice in investment decision-making. While they are voluntary, pension fund trustees are expected to consider their applicability to their own fund and report on a 'comply or explain' basis how they used them. The Regulations require administering authorities to publish in their Statement of Investment Principles the extent to which they comply with the six new investment principles set out in the Myners report on Institutional Investment. The principles and best practice guidance are attached in Appendix 1.

11.2 The Council do broadly comply with the principles but will continue to examine the requirements of the Myners principles with a view to ensuring greater compliance. Any changes will be reflected in updated versions of the Statement of Investment Principles

Additional Voluntary Contributions (AVC)

12.1 In line with statute, the Council has to appoint AVC providers and the current providers are Clerical Medical and Prudential.

Compliance

13.1 The Council is responsible for monitoring the Fund's overall investment performance and the performance of each manager.

13.2 The Council is responsible for monitoring the qualitative performance of the fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

13.3 The Council will regularly review the Scheme's compliance with this Statement of Investment Principles. The Statement is reviewed at least every three years and in addition a revised version is issued in the event of significant change occurring.

Appendix 1

Myners Principles:
Defined Benefit Pension Schemes

1 Effective decision-making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

<u>Best Principle Guidance</u>

• The board has appropriate skills for, and is run in a way that facilitates, effective decision making.

• There are sufficient internal resources and access to external resources for trustees and boards to make effective decisions.

• It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.

• There is an investment business plan and progress is regularly evaluated.

• Consider remuneration of trustees.

• Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).

2 Clear objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

<u>Best Practice Guidance</u>

• Benchmarks and objectives are in place for the funding and investment of the scheme.

• Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.

• Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.

• Consider the strength of the sponsor covenant.

3 Risks and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Best Practice Guidance

• Trustees have a clear policy on willingness to accept underperformance due to market conditions.

• Trustees take into account the risks associated with their liabilities' valuation and management.

• Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.

• Trustees have a legal requirement to establish and operate internal controls.

• Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.

4 Performance Assessment

Trustees should arrange for the formal measurement of the performance of investments, investment mangers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Best Practice Guidance

• There is a formal policy and process for assessing individual performance of trustees and managers.

• Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).

• The chairman addresses the results of the performance evaluation.

• State how performance evaluations have been conducted.

• When selecting external advisers take into account relevant factors, including past performance and price.

5 Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.
A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.
Trustees should report periodically to members on the discharge of such responsibilities.

Best Practice Guidance

• Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.

• Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.

• Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.

• Trustees ensure that Investment consultants adopt the ISC's Statement of Practice relating to consultants.

6 Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
Trustees should provide regular communication to members in the form they consider most appropriate.

Best Practice Guidance:

• Reporting ensures that the scheme operates transparently and enhances accountability to scheme members and best practice provides a basis for the continuing improvement of governance standards.

Appendix 5

Funding Strategy Statement

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Harrow Pension Fund (“the Fund”), which is administered by Harrow Council, London (“the Administering Authority”).

It has been reviewed by the Administering Authority in collaboration with the Fund’s Actuary, Hymans Robertson, after consultation with the Fund’s employers and investment adviser. This revised version replaces the previous FSS and is effective from 29th February 2012.

1.1 Regulatory Framework

Scheme members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level that covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.
The FSS forms part of a framework, which includes:

- The Local Government Pension Scheme Regulations[2] (Regulations 34, 35 and 36 of the Administration Regulations are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to the Fund Actuary’s triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles (SIP).

Operating within this framework, the Fund’s Actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years, ahead of triennial valuations being carried out; the next full review will fall due to be completed by 31 March 2014. Annex A is updated more frequently to reflect any changes to employers.
The FSS is a summary of the Fund’s approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Julie Alderson in the first instance at julie.alderson@harrow.gov.uk or on tel: 020-8424-1788.

[2] Consisting of The Local Government Pension Scheme (Administration) Regulations 2008, The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (“the Benefits Regulations”), The Local Government Pension Scheme (Administration) Regulations 2007 (“the Administration Regulations”) and The Local Government Pension Scheme (Transitional Pensions) Regulations 2007 (“the Transitional Regulations”).

2. Purpose

2.1 Purpose of the FSS

The purpose of the FSS is:
- "to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities."

These objectives are desirable individually, but may be mutually conflicting.
This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:
- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.
The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:
- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers or pool of employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of employer's contributions where the Administering Authority considers it reasonable to do so.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a contribution reduction, if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's Actuary is required by the regulations to report the *Common Contribution Rate*[3], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The Fund's Actuary is also required to adjust the Common Contribution Rate for circumstances that are deemed "peculiar" to an individual employer[4]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer or pool together with individual past service adjustments according to employer (or pool) -specific spreading and phasing periods.

For some employers it may be agreed to pool contributions, see Section 3.7.8.

Annex A contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It also identifies which employers' contributions have been pooled with others.

Any costs of early retirements other than on the grounds of ill-health must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision where requested by the Administering Authority).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's Actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund Actuary's *ongoing funding basis*. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund Actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

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[3] See Regulation 36 (5) of the Benefits Regulations
[4] See Regulation 36 (7) of the Benefits Regulations

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. Please refer to paragraph 3.8 for the treatment of departing employers.

Where an admission agreement for an admission body, that is not a Transferee Admission Body and with no guarantor, is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the fund reserves the right to set contribution rates by reference to liabilities valued on a gilts basis (i.e. using a discount rate that has no allowance for potential investment outperformance relative to gilts). The target in setting contributions for any employer in these circumstances is to achieve full funding on a gilts basis by the time the agreement terminates or the last active member leaves in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required when a cessation valuation is carried out.

The Fund also reserves the right to adopt the above approach in respect of those admission bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease.

3.3 Ongoing Funding Basis

(a) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds advised by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the CLUBVITA’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with “medium cohort” and a 1% pa minimum underpin to future reductions in mortality rates.

The combined effect of the above changes from the 2007 valuation approach is to add around one year of life expectancy on average. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

(b) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. The investment return assumption makes allowance for an anticipated out-performance of returns from equities relative to Government bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken.

For the purpose of the triennial funding valuation at 31 March 2010 and setting contribution rates effective from 1 April 2011, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than the return available from investing in government bonds at the time of the valuation (this is the same as that used at the 2007 valuation). The long term in this context would be 20 to 30 years or more. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, an asset out-performance assumption (AOA) of 1.6% per annum is within a range that would be considered acceptable for the purposes of the funding valuation.

(c) Salary growth

Pay for public sector employees will be frozen by Government until 2012, with a flat increase of £250 being applied to all those earning less than £21,000 pa. Although this “pay freeze” does not officially apply to local government employers, it has been suggested that they are expected to show similar restraint in respect of pay awards. Based on an analysis of the membership in LGPS funds, the average expected increase in pensionable pay across all employees should be around 1% pa for the next couple of years. Therefore the salary increase assumption at the 2010 valuation has been set to 1% pa for 2010/11, 2011/12 and 2012/13 in the expectation that pay growth will be limited until March 2013. After this point, the assumption will revert back to RPI plus 1.0% p.a. This is lower than the assumption adopted at the 2007 valuation of RPI plus 1.5% p.a.

(d) Pension increases

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future increases to public sector pensions in deferment and in payment. This proposed change has been allowed for in the valuation calculations as at 31 March 2010.

At the previous valuation, we derived our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. For the 2010 valuation, this market-derived rate has been adjusted downwards by 0.5% pa to allow for the “formula effect” of the difference between RPI and CPI. Basing pension increases on CPI rather than RPI will serve to reduce the value placed on the Fund’s liabilities.

(e) General

The same financial assumptions are adopted for all employers for whom the ongoing basis is deemed to be appropriate. All employers have the same asset allocation as described in Section 3.6.

The demographic assumptions vary by type of member and so reflect the different membership profiles of employers.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up

to meet future benefit payments in respect of future service. For the 2010 valuation, the future service rate has been calculated separately for all the employers although employers within a pool will pay the contribution rate applicable to the pool as a whole.
Where it is considered appropriate to do so, the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a lower discount rate (most usually for Admission Bodies in the circumstances outlined in 3.2).
The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted in line with the approach described below. Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* of valuation with a one-year control period.
If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Where Admission Bodies have closed the scheme to new entrants, this is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.
To give more long-term stability to such employers' contributions, the *Attained Age* funding method is normally adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.
Both funding methods are described in the Actuary's report on the valuation.
Both future service rates include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.
The combined effect of these adjustments for individual employers applied by the Fund Actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, part-time/full-time, manual/non manual);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;

- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation period.
Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers, unless the circumstances dictate otherwise.
The Fund Actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation including, but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's Actuary apportions the assets of the whole Fund between the employers (or pools of employers) at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer (or pool of employers). This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.
The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund Actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Solvency Issues and Target Funding Levels

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind,

there are a number of prudential strategies that the Administering Authority may deploy in order to maintain employer contribution rates at as nearly a constant rate as possible. These include:-

- capping of employer contribution rate increases / decreases within a pre-determined range ("Stabilisation")
- the pooling of contributions amongst employers with similar characteristics
- the use of extended deficit recovery periods
- the phasing in of contribution increases / decreases

3.7.2 Stabilisation

There can be occasions when, despite the deployment of contribution smoothing mechanisms such as pooling, phasing and the extension of deficit recovery periods, the theoretical employer contribution rate is not affordable or achievable. This can occur in times of tight fiscal control or where budgets have been set in advance of new employer contribution rates being available.
The more secure the employer, the more emphasis can be placed on stability of employer contributions without jeopardising the Administering Authority's commitment to prudent stewardship of the Fund. For the most secure, long term employers an explicit stabilisation overlay based on a risk-based, stochastic valuation approach is used.

For less secure and shorter term employers (principally, but not exclusively, the admission bodies) it is generally not possible to achieve the same degree of stability in employer contribution rates without compromising on prudent stewardship.

In view of this possibility, the Administering Authority has commissioned the Fund Actuary to carry out extensive modelling to explore the long term effect on the Fund of capping future contribution increases. The results of this modelling indicate that it is justifiable to limit employer contribution rate changes to +0.25% / -2% of employers' contributions per annum for the six years from 1 April 2008, for employers where the Administering Authority is satisfied that the status of the employer merits adoption of a stabilised approach.

Circumstances in which eligibility for stabilisation will be reviewed

- The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security. Possible actions may include increases in contributions expressed as a percentage of pay or revised deficit contributions expressed as monetary amounts.
- Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact (such as the change with effect from 22 June 2010 from RPI to CPI for increases to pensions in payment).

- The stabilisation rules and eligibility criteria will be reviewed no later than at the 31 March 2013 valuation, with any changes in contribution strategy taking effect from 1 April 2014. The review will take into account factors including, but not necessarily restricted to, market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2013), the Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

Setting the parameters of the stabilisation overlay

The parameters for the stabilisation overlay have been determined by carrying out an asset liability modelling exercise. This allows for the future uncertainty in investment returns, interest rates and inflation using a stochastic modelling technique. The actuary tested the contribution stabilisation rules to ensure that they were compatible with the current investment strategy. The actuary has advised the Administering Authority that the stabilisation overlay for secure long term employers satisfies the requirement for the funding strategy to take a prudent longer-term view.

The actuarial modelling discloses that there is only around a 60% chance of the Fund having a funding level of at least 100% on an ongoing basis after 18 years, and this is slightly lower if stabilisation is applied. The actuary believes that there is a sufficiently high likelihood of achieving the long term funding objective (a funding level of 100% on a sufficiently prudent basis) where contributions are paid at the stabilised rate over a longer period.

In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" and are therefore paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The list of employers whose rates have been stabilised is set out in Annex A.

The Fund currently has a net cash inflow and can therefore take a medium to long term view on determining employer contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long term view. It allows short term investment markets volatility to be managed so as not to cause volatility in employer contribution rates. However, this net cash inflow is reducing over time and so should be kept under review.

The LGPS regulations require the longer term funding objectives to be to achieve and maintain assets to meet the projected accrued liabilities. The role of the Fund Actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The approach to the actuarial valuation and key assumptions used at each triennial valuation forms part of the consultation undertaken with the FSS.

3.7.3 Deficit Recovery Periods

The Administering Authority instructs the Actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	***Maximum* Length of Deficit Recovery Period**
Statutory bodies with tax raising powers	A period to be agreed with each employer not exceeding 20 years.
Community Admission Bodies with funding guarantees	A period to be agreed with each employer not exceeding 20 years.
Transferee Admission Bodies	The period from the start of the revised contributions to the end of the employer's contract or the date when it is expected that all employee members will have left active membership of the Fund, if earlier.
Academies	A period to be agreed with each employer not exceeding 20 years. Any recovery period in excess of 7 years will only be applicable for as long as the academy or Department of Education does not give notice of exiting its status. On receiving 7 years notice of exiting academy status, the outstanding deficit be spread over the remainder of the notice period.
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after last active member retires	A period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers
All other types of employer	A period equivalent to the expected future working lifetime of the remaining scheme members

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.
The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for the 2010 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

3.7.4 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.
However, to help meet the stability requirement, employers may prefer not to take such reductions.

3.7.5 Phasing in of Contribution Rises

Any contribution rate rises will be subject to the 'stabilisation mechanism' set out in Section 3.7.2. Transferee Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises by phasing in the rise in contributions over a period of up to seven years.

3.7.6 Phasing in of Contribution Reductions

Any contribution reductions will be subject to the 'stabilisation mechanism' set out in Section 3.7.2. Transferee Admission Bodies can take the reduction with immediate effect.

3.7.7 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than other employers or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.
However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.8 Smaller Employers

The Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.
Transferee Admission Bodies are ineligible for pooling.
Smaller employers may choose to Pool funds in future – As stated above. Transferee Admission Bodies are not eligible for pooling.

Employers who are eligible for pooling at the 2010 valuation have consented to participate in the pool.

3.8 Admission Bodies ceasing

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.
Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.
If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund Actuary to carry out a special valuation under Regulation 38 of the Administration Regulations to determine whether there is any deficit.
The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies, the assumptions would usually be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non Transferee Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the Actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This could give rise to significant payments being required.

(c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The Actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. All employers, irrespective of whether or not they are pooled, incur additional costs whenever an employee retires "early" (see below) with no reduction to their benefit or receives an enhanced pension on retirement. The current costs of these are specified in the latest early retirement manual from Hymans Robertson. Annex A indicates which employers pay additional lump sums into the Fund.
The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill health monitoring

The number of ill health retirements is carefully monitored against the assumptions included in the valuation.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.
The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2010, the proportion held in equities and property was 86% of the total Fund assets.
The investment strategy of lowest risk would be one which provides cashflows which replicate the expected benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.
The lowest risk strategy is not necessarily likely to be the most cost-effective strategy in the long-term.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants.
The same investment strategy is followed for all employers. The Administering Authority does not have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The funding basis adopts an asset outperformance assumption of 1.6% per annum over and above the redemption yield on index-linked gilts. Both the Fund's Actuary and its investment adviser consider that the funding basis does conform to the requirement to take a "prudent longer-term" approach to funding, based on the Fund's current investment strategy.
The Administering Authority is aware that in the short term – such as the three yearly assessments at formal valuations – the proportion of the Fund invested in equities brings the possibility of considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of the outperformance target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

4.3 Balance between Risk and Reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

4.4 Inter-valuation Monitoring of Funding Position

The Fund is subject to an actuarial valuation every 3 years, which reviews assets and liabilities and assesses the funding level. Between these valuations the Administering Authority monitors investment performance on a quarterly basis. It reports back to employers by annual reports.

5. Key Risks and Controls

5.1 Types of Risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.Short term (quarterly) investment monitoring analyses market performance. This gives an early warning of contribution rises ahead. In the short term, volatility is damped down by stability measures on contributions. However, if underperformance is sustained over a period, contributions would rise by more. Analyse progress at three yearly valuations for all employers.
Inappropriate long-term investment strategy	Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.
Fall in risk-free returns on Government bonds, leading to a rise in value placed on liabilities	Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.
Actual pay and price inflation significantly more than anticipated	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Some investment in index-linked bonds also helps to mitigate this risk. Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises. Incorporate a stabilisation mechanism for employers where appropriate.

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Ill health retirements significantly more than anticipated	Monitoring of each employer's ill health experience on an ongoing basis. The

	employer may be charged additional contributions if this exceeds the ill health assumption built in.
Pensioners living longer	Set mortality assumptions with some allowance for future increases in life expectancy. Sensitivity analysis in triennial valuation calculations helps employers understand the potential impact of life expectancy. Fund Actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding. Administering Authority encourages any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs.
Deteriorating patterns of early retirements	Employers are allocated the extra capital cost of non ill health retirements following each individual decision and may be required to make a capital payment. Employer ill health retirement experience is monitored.

5.4 Regulatory

Risk	**Summary of Control Mechanisms**
Changes to LGPS regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees or effect of tiered contribution rates with effect from 1 April 2008	The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. It considers all consultation papers issued by the DCLG and comments where appropriate. The results of the Hutton review are not expected to affect the Fund until after the 2013 valuation, and so will be incorporated at that time. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions. The Administering Authority will consult employers where it considers that it is appropriate.
Changes to national pension requirements and/or HM Revenue & Customs rules	

5.5 Governance

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	The Administering Authority monitors membership movements on a quarterly basis. The Actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 38 of the Administration Regulations) between triennial valuations
Administering Authority not advised of an employer closing to new entrants.	
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	In addition to the Administering Authority monitoring membership movements on a quarterly basis, it requires employers with Transferee Admission contracts to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Transferee Admission Agreements.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: • Seeking a funding guarantee from another scheme employer, or external body, wherever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Where permitted and appropriate under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.

Annex A: Employers' Contributions, Spreading and Phasing Periods

The Common Rate of Contribution payable by each employing authority under regulation 36(4)(a) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 is 25.7% of pensionable pay (as defined in Appendix B).

Individual Adjustments are required under regulation 36(4)(b) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below:

Employer code	Employer name	Contributions currently being paid in 2010/11	Minimum Contributions for the Year Ending		
			31 March 2012	31 March 2013	31 March 2014
1	London Borough of Harrow	18.6%	18.85%	19.10%	19.35%
2	North London Collegiate School	18.6%	18.85%	19.10%	19.35%
5	Stanmore College	18.6%	18.85%	19.10%	19.35%
7	Harrow College	18.6%	18.85%	19.10%	19.35%
8	Employer 8	18.6%	18.85%	19.10%	19.35%
10	Harrisons Catering	21.6%	22.50% *	22.50% *	22.50% *
11	St Dominic's Sixth Form College	18.6%	18.85%	19.10%	19.35%
16	Vaughan F&M School	18.6%	18.85%	19.10%	19.35%
18	Kier Support Services	18.1%	19.90% *	19.90% *	19.90% *
19	Mears Care Ltd	20.0%	20.00% *	20.00% *	20.00% *
20	Care UK	19.5%	22.30% *	22.30% *	22.30% *

* Early retirement strain payments are in addition

Further comments

ill health liability insurance

Note that, if an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the administering authority, then their Minimum Total Contribution Rate may be reduced by their insurance premium, for the period the insurance is in place.

Stabilisation

The following employers have had their contribution rates stabilised following a separate modelling exercise that I [the Actuary] carried out on their behalf:

- London Borough of Harrow
- North London Collegiate School
- Stanmore College
- Harrow College
- Employer 8
- St. Dominic's Sixth Form College
- Vaughan F&M School

Annex B: Responsibilities of Key Parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the Fund’s Actuary;
- prepare and maintain a FSS and a SIP, both after proper consultation with interested parties; and
- monitor all aspects of the Fund’s performance and funding and amend FSS/SIP.

The Individual Employer should:

- deduct contributions from employees’ pay correctly;
- pay all contributions, including their own as determined by the Actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; excess ill health early retirements if appropriate;
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding; and
- comply with the valuation timetable where required and respond to communications as necessary to complete the process.

The Fund Actuary should:

- prepare valuations including the setting of employers’ contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS;
- agree a timetable for the valuation process with the Administering Authority to provide timely advice and results; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

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Pension Fund Costs - Year to 31st March 2013

			2013		2012	2011
Investment Manager Costs			£		£	£
State Street	Actual billing		61,212		57,217	55,256
	First £100 million 0.05% and thereafter 0.04%					
	Average assets £118.1 million					
Wellington						
	First £20 million 0.65%	130,000				
	Next £30 million 0.5%	150,000				
	over £50 million 0.45%	214,596	494,596		471,628	496,192
	[Average assets £97.7million]					
Fidelity						
	0.25% of NAV	218,612				
	additional performance fee	12,688	231,300	note 1	407,034	427,857
	[Average assets £87.4 million]					
Longview						
	First £25 million 0.75%	187,500				
	Next £25 million 0.65%	69,251	256,751		227,742	235,526
	[Average assets £35.6 million]					
BlackRock	Actual Billing		123,523		110,057	101,167
	First £10 million 0.35%, thereafter 0.15%					
	average £58.9 million					
UBS						
	UK fund 0.75% of NAV plus 0.25%		2,748		95,280	92,925
	performance fee if in top quartile					
	Units sold Q2, 2012					
Aviva						
	FoF fee of 0.214%		87,468		88,196	54,359
	Average fund value £40.9 million					
	Underlying managers - assume 0.75%		306,548	note 2	237,638	161,326
	[excluding UBS Triton]					
Mellon	Terminated during 2011-12		0		50,580	81,527
Record						
	passive - £5,000 a quarter		20,000		20,000	38,473
Pantheon						
	0.75% of committed capital £35.9 millic	268,950			255,683	262,500
	5% performance fee	0				
	Underlying managers					
	2% mgt fee (97% to 105% committed)	717,200	986,150	note 3	685,688	525,000
	20% performance fee	0				
			2,570,296		**2,706,742**	**2,532,108**
Other						
	WM performance fees £1,442 per month		17,305		17,304	16,908
	JP Morgan Custody £10,000 per annum		9,175		10,000	10,000
	Hymans - Actuarial		99,156	note 4	42,347	56,773
	Aon Hewitt - Investment Advice		116,900		115,000	68,183
	Deloitte - Audit		21,000		35,000	37,300
	Local Authority Pension Fund Forum		8,460		8460	8,460
	NAPF Membership		7,345		2650	2,343
	Other		3,657			3,317
	Internal - Finance		163,260	note 5	102,432	87,889
	Internal - Shared Services		518,354	note 5	573,115	550,796
	Internal - Bank Account IT set up costs				15,940	
			3,534,908		3,628,990	3,374,077

Notes

(1) The fidelity fee was reduced from 0.5% to 0.25% with effect from 1st April 2012.
A small additional performance element is payable as the benchmark stipulated in the Fidelity contract has a lower return than that used for monitoring.

(2) Following the sale of the Triton units the proceeds were reinvested into additional Aviva holdings.

(3) Private equity fees are incurred at two levels; to Pantheon and then the underlying fund managers. The additional charges in 2013 reflect exchange rate movements as sterling weakened against the $ and €.

(4) Actuarial costs have increased due to one off projects - academies, outsourcing and preparation work for the tri-annual valuation.

(5) Internal charges comprise a share of internal staff costs together with accommodation and IT costs. The increase in Finance costs reflect the additional staff allocation 2011-12.
Shared Service staff numbers and costs have decreased.

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Deloitte.

London Borough of Harrow Pension Fund

Report to the Governance, Audit and Risk Management Committee on the 2012/13 Local Government Pension Fund Audit

Draft Report

1

16 September 2013

Contents

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Executive summary

We have pleasure in setting out in this document our report to the Governance, Audit and Risk Management Committee "GARM" of London Borough of Harrow Pension Fund ("the Fund")"for the year ended 31 March 2013 for discussion at the meeting scheduled for 16 September 2013. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Status	Description	Detail
Completion of the audit		
On satisfactory completion of the outstanding items we anticipate issuing an unmodified audit opinion	We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan. We have substantially completed our audit in accordance with our Audit Plan, which was presented to you prior to the commencement of the audit, subject to the satisfactory completion of the matters set out below: • completion of our procedures around the cash balance; • completion of final review process on the financial statements; • receipt of signed management representation letter (see Appendix 1); and • update of post balance sheet event review. We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters. At the date of this report, and subject to the satisfactory completion of the outstanding matters referred to above, we expect to issue an unmodified audit opinion.	N/A

Executive summary (continued)

Key findings on audit risks		
We have addressed the risks identified in our planning report	We discuss within Section 1 the results of our work in relation to key audit risks which have been identified as being significant to the 2012/13 accounts, and which were presented in our Audit Plan to the GARM in March 2013, as follows: **Key risks** 1. **Contributions:** The risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies has been satisfactorily addressed through our testing. No issues were noted. 2. **Benefits:**Complexities in the calculation of both benefits in retirement and ill health and death benefits have been reviewed during our testing with no issues identified. 3. **Investments:**The private equity investment reports have been reviewed during our testing and we have identified a corrected adjustment. See discussion below. Derivative financial instruments have also been successfully tested. 4. **Management override of controls:** All testing was completed with satisfactory results.	Section 1

Identified misstatements		
No factual uncorrected misstatements have been identified. We have identified one corrected misstatement above the threshold for reporting to you	Audit materiality was set at £4.4 million (2011/12 £6.3 million). This is a decrease from the £4.8m set out in our audit plan. We report all unadjusted misstatements greater than £220,000 (2011/12: £319,000) to you, as well as any misstatements that are qualitatively material. A misstatement for the amount of £0.5 million was identified in the Pantheon private equity year-end valuation which we wish to report to you. The year-end balance had been rolled forward from the December 2012 valuation by accounting for the cash movements. We obtained the valuation report as at 31 March 2013 directly from the investment manager giving rise to this increase in the private equity valuation. This misstatement was corrected by management. We also identified a deficiency around the disclosure of the investments greater than 5% of net assets. There are no identified factual uncorrected misstatements above this level and no qualitatively material misstatements that we wish to bring to your attention, subject to completion of the above procedures.	N/A

Executive summary (continued)

Accounting and internal control systems		
The internal control systems are very strong, however further improvements could be made	We previously reported to you in our report on the 2011/12 audit that we identified two areas for improvement in relation to the internal control systems. These improvements related to the authorisation of journal entries and setting up a new bank account for the pension fund. We are pleased to confirm that our recommendations regarding the journal entries have been addressed although there are still improvements that could be made. However, for the latter, the use of the bank account could be improved further to develop a higher level of governance over the Pension Scheme cash and clearly show that provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 are being met. We have raised two suggestions during the course of this year's audit relating to the segregation of duties around the bank reconciliations and the lack of a pension fund risk register. We note that there is to be a change in personnel in the pensions accounting function. We recommend that the handover process is appropriately conducted to ensure current good practices and maintained.	Section 2

Current accounting and regulatory issues		
	We have included within this report accounting and regulatory issues that affect the pension fund industry, particularly focus areas of the Pensions Regulator (TPR). Although the London Borough of Harrow Pension Fund is not currently regulated by TPR these are guidelines for improving processes and represent best practice in the industry.	Section 3

1. Key audit risks

The results of our audit work on key audit risks are set out below:

Contributions	
Audit risk	Unlike the position in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.
Deloitte response	We have performed the following testing to address the significant risks around contributions: • reviewed the design and confirmed the implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly. • we performed test of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates. • we developed an expectation based on changes in membership and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level; and • reconciled the membership movements in the year to the Financial Statements, ensuring that these included members from the admitted bodies. All testing was completed with satisfactory results. We note that London Borough of Harrow as the administering authority is not responsible for the calculation of employers' contributions for each of the scheduled and admitted bodies. These are calculated by the payroll departments of the relevant scheduled and admitted bodies. We have therefore performed our testing, where necessary, with the assistance of the individual bodies as necessary.

1. Key audit risks (continued)

Benefits	
Audit risk	Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971.
Deloitte response	The following tests were performed to address the risk around benefits: • we reviewed the design and confirmed the implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing that controls were in force during the year under review; • we obtained a schedule of benefits paid in the form of transfers out, lump sums and death grants and using supporting calculations, we tested whether benefits were in accordance with the appropriate rules; • we performed tests of detail on a sample of benefits paid, by agreement to supporting documentation, to test whether benefits for new pensioners were in all material respects correctly calculated, by reference to their qualifying service, scheme rules and benefit choices made; and • we developed an expectation based on the prior year balance, adjusted for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year. All testing was completed with satisfactory results.

1. Key audit risks (continued)

Investments	
Audit risk	The Fund makes some use of private equity investments and derivative financial instruments. Private equity funds are complex to value and include an element of judgement on the part of the investment manager. Given that these funds form a material balance within the Pension Fund accounts, we have identified the valuation of these funds as a key audit risk. The Fund also makes use of derivatives which can be complex in terms of accounting, measurement and disclosure requirements. The fair values of derivatives held at year-end have an asset position of £0.8 million and a liability position of £3.1 million. This gives a net position of -£2.3 million (2012: £1.6 million).
Deloitte response	The following tests were performed to address the significant risk around investments: • we reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly; • we reconciled the total value of the investments held by the Fund as reported in the Net Assets Statement to independent confirmations received directly from the investment managers; • we have performed a test of detail on a sample basis of quoted investments and compared the value to the quoted price obtained from Bloomberg, Datastream or other third party sources; • we performed an analytical review on the performance of the portfolio; • we carried out sample testing on sales and purchases made in the year; • we reviewed the year end portfolio for compliance with the Statement of Investment Principles (SIP); • we obtained an understanding of the valuation of private equity investments through discussion with the investment manager. The private equity investment manager valuation was obtained for the quarter to 31 December 2012 and this was compared to the audited financial statements for the year ended 31 December 2012 to determine the investment manager's ability to forecast valuations. The percentage difference was extrapolated to the valuation as at 31 March 2013 to determine the possibility of a material misstatement; and • we engaged our internal experts to review the use of derivatives and to recalculate the value of a sample of open contracts. A misstatement for the amount of £0.5 million was identified in the Pantheon private equity year-end valuation. The year-end balance had been rolled forward from the December 2012 valuation by accounting for the cash movements. We obtained the valuation report as at 31March 2013 directly from the investment manager giving rise to this increase in private equity valuation. This misstatement was corrected by management. We also identified a deficiency around the disclosures of the investments greater than 5% of the net assets. It was noted that the fund values had been disclosed for all other investment managers whereas the total investment value for Fidelity had been disclosed. This was corrected by management in the financial statements. All other testing was completed with satisfactory results.

1. Key audit risks (continued)

Management override of controls	
Audit risk	We are required by ISA 240 'The auditors' responsibility to consider fraud in an audit of the financial statements' to presume there is a significant risk of management override of the system of internal controls.
Deloitte response	The following tests were performed to address the risk of management override of controls: • we reviewed analysis and supporting documentation for journal entries, key estimates and judgments; • we performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale; • we reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings; • we reviewed significant management estimates and judgments such as year-end accruals and provisions and consider whether they are reasonable; and • we made enquiries of those charged with governance as part of our planning and detailed audit processes. All testing was completed with satisfactory results.

2. Accounting and internal control systems

Current year control observation

Segregation of duties around bank reconciliations	
Observation	As part of our work around the design and implementation of key controls, we identified that there are insufficient controls around the segregation of duties for bank reconciliations. The bank reconciliations are currently not reviewed and signed off by an independent reviewer.
Recommendation	An employee should be responsible for preparing the bank reconciliations on a regular basis and these should be reviewed and signed off by the Head of Pensions or similar, to ensure that all potential errors are identified and corrected on a timely basis.
Management response	We agree with the above observation and recommendations.

Risk register	
Observation	As part of our audit work around the design and implementation of key controls, we identified that the pension team do not maintain their own risk register.
Recommendation	It is recommended that risks should be recorded in a risk register and should be regularly reviewed to ensure that they are being appropriately monitored and managed. This will promote good governance within the Fund.
Management response	We agree with the above observation and recommendations.

2. Accounting and internal control systems (continued)

Prior year control observations

During the course of our 2011/2012 audit we identified areas for improvement in the internal control systems which are detailed below:

Authorising journals	
Observation	There is no policy for authorising journals before they are posted to the general ledger.
Recommendation	The Officers of the Fund should consider implementing a review process to ensure that all journal entries are reviewed and authorised before they are posted to the general ledger.
Management response	Agreed. From August 2012, a paper file has been maintained of all journals processed into SAP for the pension fund. All journals will be authorised in writing by the Treasury and Pension Fund Manager prior to posting to SAP by another member of the Corporate Finance team.
2012/2013 update	The process around the authorisation of journals continues to be an area of improvement for the Fund. All journals over £20,000 aim to be authorised and over-seen on an ad-hoc basis. Journals are often authorised after they have been posted, and as such the controls around authorising journals are weak. See also the recommendation in the London Borough of Harrow report.

2. Accounting and internal control systems (continued)

Separate bank account	
Observation	Following implementation of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that apply from 1 April 2011, there is a new requirement for each pension fund to have a separate bank account. This change has been being adopted because it will enable pension fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice. We noted that whilst the scheme has set up the account in line with the required timeframe, it has not been used for all transactions within the pension scheme. The current process is that some transactions such as the employers' contributions from Harrow Council continue to be processed through the main bank account with a regular transfer to the pension scheme bank account. This means that at any point in time there may be pension scheme cash within the main Council bank account.
Recommendation	Whilst this process could be considered to comply with the 2009 regulations, we recommend that it is amended so that this account is utilised for all cash transactions regarding the pension scheme, in particular the receipt of contributions. This will give the Fund greater clarity over the transactions undertaken by the scheme, and demonstrate improved governance and compliance with regulations.
Management response	The Fund is now compliant with the regulations concerning pension fund bank accounts. During 2011/12 all pension fund cash movements were processed through Harrow Council bank accounts as discussed in the Report, with monthly (or more frequent) settlements. This approach changed from April 2012 and all contributions from employers other than Harrow Council are now directly banked into the pension fund current account. The IT project to run pension fund BACS transactions for pensions and lump sums against the pension fund bank account has been completed and has been in operation since June 2012. The small value of cheques that are still processed through the Harrow Council account on cost efficiency grounds and contributions from Harrow Council and expenses paid by Harrow Council remain subject to a monthly aggregation and settlement. No further changes are planned to these procedures.
2012/2013 update	Management comments above have been implemented in the year.

3. Current Accounting and Regulatory Issues

Upcoming financial reporting developments

For reference, the following developments in the pension industry may impact the governance arrangements and financial statements of the London Borough of Harrow Pension Fund. Whilst we appreciate that the Local Government Pension Scheme is not regulated by the Pensions Regulator, we consider their guidance to be indicative of what is currently considered to be best practice in the pensions sector.

<table>
<tr><th colspan="2">Pensions Act 2013</th></tr>
<tr><td></td><td>The Pensions Act received Royal Ascent in parliament and hence will come into force from 2015. The key changes of the bill are:

• reform the State Pension system through the introduction of a single-tier pension;
• manage future changes to the State Pension age including bringing forward the increase in State Pension age to 67;
• reform the range of benefits associated with bereavement;
• boost the consolidation of small pension pots;
• introduce a new statutory objective for the Pensions Regulator; and
• strengthen existing legislation relating to occupational pensions.

It is anticipated that LGPS will begin to be regulated by the Pension Regulator as part of this bill from 2015. This will mean that the schemes will need to consider the guidance put in place by the regulator and comply with the best practice advice from 2015.

Further information can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197840/pensions-bill-ia-summary.pdf</td></tr>
</table>

4. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below

Independence	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Fund's policy for the supply of non-audit services or of any apparent breach of that policy. To confirm we have not performed any non-audit services in the year or previous year.
Fees	Our fee for the audit of the pension fund for the year ending 31 March 2013 is £21,000 (2012: £35,000). The 2012-13 scale fees that the Audit Commission has set include reductions of up to 40% on 2011-12 fees. These result from savings generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies. Under our new arrangements with the Audit Commission, Deloitte's net re-imbursement for external services provided remains unchanged from those previously agreed. The scale fee reductions do not therefore have an impact on our ability to continue offering a high quality service to you.
Relationships	We are required to provide written details of all relationships between us and the audited entity, its trustees and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its trustees and senior management and its affiliatesthat we consider may reasonably be thought to bear on our objectivity and independence and the related safeguards that have been put in place. We can confirm that we are not aware of any such relationships.

5. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

Our audit was not designed to identify all matters that may be relevant to London Borough of Harrow Pension Fund and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the London Borough of Harrow, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Chartered Accountants
St Albans
16 September 2013

Appendix 1: Draft representation letter

Deloitte LLP

Our Ref: ***DWB/PJS/2013*** ***Date:***

Dear Sirs

London Borough of Harrow Pension Fund (the "Fund")

This representation letter is provided in connection with your audit of the financial statements of the fundfor the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the fund's asset and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the fund year.

We acknowledge as members of London Borough of Harrow Pension Fund our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.

2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
   (i). management;
   (ii). employees who have significant roles in internal control; or
   (iii). others where the fraud could have a material effect on the financial statements.

5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by members, former members, employers, regulators or others.

6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

Appendix 1: Draft representation letter (continued)

7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.

8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements.

   We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Schemes (revised May 2007) (“Pensions SORP 2007”), Code of Audit Practice on Local Authority Accounting in the United Kingdom in 2012/13: based on International Financial Reporting Standards or other regulations.

9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

10. You have been informed of all changes to the Fund rules during the year and up to the current date.

11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund’s financial statements.

12. No claims in connection with litigation have been or are expected to be received.

13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

14. There have been no events subsequent to 31 March 2013 which require adjustment of or disclosure in the financial statements or notes thereto.

15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

Appendix 1: Draft representation letter (continued)

16. The pension fund accounts and related notes are free from material misstatements, including omissions.

17. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

18. The Fund has satisfactory title to all assets.

19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.

21. We confirm that:

    - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
    - all settlements and curtailments have been identified and properly accounted for;
    - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
    - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
    - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
    - the amounts included in the financial statements derived from the work of the actuary are appropriate.

22. All trades in complex financial instruments are in accordance with our risk management policies,have been conducted on an arm's length basis and have been appropriately recorded in the accounting records,including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments(including any embedded derivatives and written options) and other financial instruments has been withheld.

23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

Appendix 1: Draft representation letter (continued)

24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2013 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.
Yours faithfully

Signed on behalf of London Borough of Harrow Pension Fund

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REPORT FOR: Pension Fund Committee

Date of Meeting:	18th September 2013
Subject:	**Information Report** - Update Report and Action Points from Previous Meetings
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No.
Enclosures:	Appendix 1 - Action Points Appendix 2 – Meeting Plan 2013-14 Appendix 3 – Membership and Remit

Section 1 – Summary and Recommendations

This report provides an update (appendix 1) of actions taken since the last meeting.

FOR INFORMATION

Section 2 – Report

1. An update of actions taken from prior meetings is summarised in appendix 1. Additional comments are given below.

Government Consultations

2. The Government have issued two consultations considering the structure of the LGPS.

Call for Evidence on the Future Structure of the LGPS

3. This consultation on the future structure of Local Government Schemes ends on 27th September and highlights the following objectives for structural reform.

Harrow COUNCIL
LONDON

High Level Objectives

Dealing with deficits
Improving investment returns

Secondary Objectives

To reduce investment fees
To improve the flexibility of investment strategies
To provide for greater investment in infrastructure
To improve the cost effectiveness of administration
To provide access to higher quality staffing resources
To provide more in-house investment resource.

4. The consultation questions centre on the appropriateness of the objectives, the importance of local accountability and alternatives means of achieving this, how to achieve transparency and comparable data disclosures and which options for reform best meet the objectives.

Discussion Paper on New Governance Arrangements for LGPS

5. The discussion paper proposed new bodies with responsibilities for the LGPS. These include "Responsible Authority" (DCLG), "Scheme Manager" (the Council or a committee) and the "Pension Board" (a committee of the Council). The Scheme Manager is responsible for managing or administrating the Scheme. The Pension Board has responsibility for assisting the Scheme Manager in securing compliance with regulations and legislation. Requirements for equal representation of employer and member representatives falls on the Pension Board as does conflicts of interest and knowledge and skills requirements.

6. The main question in the consultation is whether the Scheme Manager and Pension Board should be separate entities or a single entity. The Government will make a ruling after the consultation. The consultation ends on 30th August 2013.

Lead member Roles

7. At the last meeting, the Chairman suggested that the Committee consider appointing Lead Members for specific topics who would lead the debate when their topic was discussed. Suggested roles comprise:

- Committee Governance – Membership and remit
- Regulation
- Training
- Monitoring and feedback for advisors and officers
- Business plans, objectives, risk management and meeting agenda
- Actuarial and Member / Employer related issues.
- Strategy
- Manager appointments and monitoring (could be split between equity, bond, property and alternatives).
- Ethical investing and voting

8. It is suggested that the earlier topics are perhaps best reserved for the Chairman. Given the wide range of issues, some of which are not currently discussed, the allocation of lead roles could be extended to the Co-optee member and union appointed observers.

9. To make the role effective, officers should engage with Lead Members when drafting papers for meetings.

Independent Advisor

10. The Committee has previously discussed increasing the resources available to the Committee and in doing so preferring to look at a second advisor rather than appoint additional Members to the Committee. The Pension Fund Committee structure has been altered to remove oversight by the L&GPC, which places additional onus on the Committee to consider its decision making capacity.

11. Currently, the Committee has one advisor at Committee level, Howard Bluston. It is also advised by officers, Aon Hewitt and Hymans Robertson. Advice is also available from fund managers.

12. In most pension schemes detailed proposals are submitted to the Committee by officers and investment and actuarial consultants. The role of the Committee is to set direction, scrutinise the proposals submitted, decide which to accept and monitor progress. The role of the independent advisor can vary between that of an additional 'member' of the committee at one end, to supplementing or replacing the role of officers and the investment consultant. The current advisor to the Committee mostly operates as an additional committee member but also supports officers outside meetings with advice. Some independent advisors undertake manager monitoring visits with officers and will write / present reports for the Committee and undertaking projects that would previously have been completed by the investment consultant or officers.

13. Should the Committee wish a second advisor, it needs to decide the extent of duties and whether this goes beyond being a critical friend / offering a second opinion on reports provided by officers and the investment consultant. Legal Department have commented that any additional advisor should not have voting rights.

14. The level of remuneration will normally depend on the exact role and the experience of the advisor. Assuming that the advisor is a former consultant, actuary, fund manager, director of finance or chief investment officer for a significant pension fund, then for attendance at quarterly meetings and being available for occasional additional meetings and calls with officers, the norm is around £3,000 a quarter, £12,000 a year. If annual meetings with each of the managers at their premises are added, then £15,000 is closer to the mark. Advisors who have a level of affinity with the Council may charge less than the market rate.

15. Appointments can be by recommendation or through an open appointment process. Procurement will need to be involved.

Occasionally, vacancies are advertised in the Financial Times. If a local volunteer is sought, the Harrow web could be used to announce the role.

Section 3 – Further Information

16. See appendix 1.

Section 4 - Financial Implications

17. Financial implications are discussed in the paper where relevant.

Section 5 – Equalities Implications

18. Was an Equality Impact Assessment carried out? Yes.

19. There are no direct equalities implications relating to the Pension Fund.

Section 6 - Corporate Priorities

20. Corporate Priorities are not applicable to the Pension Fund as it does not have a direct impact on Council's resources.

Section 7 - Statutory Officer Clearance

Name: Simon George Date: 5 September 2013	√	Chief Financial Officer
Name: Matthew Adams Date: 28 August 2013	√	on behalf of the Monitoring Officer

Section 8 - Contact Details / Background Papers

Contact: George Bruce (Treasury and Pension Fund Manager) Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: Nil

Appendix 1

London Borough of Harrow

Pension Fund Investment Committee

Update Report and Action Points – 13 August 2013

Issue/decision	Source	Action Taken	Next Steps
Responsible Investment RESOLVED: That the report be deferred to a future meeting and officers, as part of this, be requested to address the comments above.	15 Nov 2011 Minute 125	Additional information on the legal position, union views, investment manager stance and income / cost impact is being collected.	Ongoing.
Governance of the PFIP RESOLVED: (3) that consideration be given to expand the membership of the Pension Fund Investment Committee to include two independent, co-opted members to act in an advisory capacity;	Nov 2012 Minute 186	See comments above.	Ongoing
WM Presentation The report was noted.	Jun 2013 min 6	N/A	Complete
Pension Fund Service Outsourcing The report was noted.	Jun 2013 Min 7	N/A	Complete
Review of SIP The SIP was approved.	Jun 2013 Min 8	The revised SIP has been posted on the pension web site.	Complete
Equity Beliefs (1) the Committee's views be noted, and a report considering changes to the equity portfolio be prepared by Aon Hewitt; (2) Training be arranged to develop Members' understanding of the issues involved and inform robust decision making in respect of the	Jun 2013 Min 9	Further paper from Aon Hewitt on agenda. Training will be provided to support agenda items.	Complete Complete

Council's Pension Fund.			
Infrastructure and Local Investing That the report be deferred to a future meeting of the Pension Fund Committee	Jun 2013 Min 10	N/A	On agenda
External Audit Plan 2012-13 The report was noted.	Jun 2013 Min 11	The audit is substantially complete and the audit conclusions will be presented to the September meeting.	Complete.
Update Report and Action Points The report was noted	Jun 2013 Min 12	N/A	Complete
London Pension Fund Collaboration (1) the investigation of voluntary collaboration models for London pension funds, including a collective investment vehicle, be supported; (2) The Committee be kept informed of future developments.	Jun 2013 Min 13	The Government has issued a consultation. See comments above	Complete
Any other urgent business (2) That a report be brought to a future meeting of the Committee on the appointment and remuneration of external advisors; (3) That a report be brought to a future meeting of the Committee on the role and possible areas of expertise of Lead Members.	Jun 2013 Min 14	N/A N/A	See comments above See suggestions above.
Information Report – Investment Manager Monitoring The report was noted.	Jun 2013 Min 16	N/A	Complete
Information Report – Performance of Fund Managers (1) the report be noted; (2) members be canvassed for their availability and an informal meeting with Fund Managers be arranged	Jun 2013 Min 17	A manager presentation day has been	Complete Complete

for October		arranged for 31st Oct 2013	
Skills Training by Hymans Robertson (1) Officers to identify the price of the CIPFA framework, and to then inform each member. If they all agree to the cost of it then to order a copy for each member (including reserve members); and (2) Each member is able to do the online training course on the Hymans website.	Jun 2013 Training	CIPFA Framework cost is £45.00 and £4.50 for postage. CIPFA's "Technical Guidance for elected representatives" is available at £100.00 Hymans has a knowledge portal with free access for members. The "training needs analysis" (TNA) offered by Hymans starts at £350.00	Ongoing Ongoing
Governance (1) Information to be provided on recruiting external advisors and the benefits of having them. The Chair recommended officers have a discussion with Susan Dixon on the concept of speciality of expertise for members to adopt. (2) Officers to arrange a Presentation day by the managers in October half-term, seeing as none of the Members were able to attend the one on 30th May 2013. (3)Officers to provide a 12 month cash-flow forecast for the Members to review the cash status of the Pension Fund.	Jun 2013 Training	See above Arranged for 31st October. Cashflow is included within the quarterly valuation report.	Complete Complete Complete

Appendix 2

Meeting dates 2013-14

Quarter 4 25/11/13	**Quarter 1 19/03/14**	**Quarter 2 2014**	**Quarter 3 2014**
Investments			
BlackRock bond options	Annual Strategy Review (post valuation update) and Rebalancing	Annual WM presentation	
Voting and Company Engagement by Fund managers	Property and Private equity reviews	Annual review of Statement of Investment Principles	
Manager Monitoring	Manager Monitoring	Manager Monitoring	Manager Monitoring
Valuation & performance	Valuation & performance	Valuation & performance	Valuation & performance
Actuarial, Employers and Members			
Actuarial valuation and Funding Strategy Statement	Funding Strategy Statement Review		
Accounting			
		Audit Plan	Annual Accounts and Auditor's Report.
Committee & Meeting Administration and Governance			
Update Report	Update Report	Update Report	Update Report
	Meeting plan 2014-15		
Training			
What makes an effective Pensions Committee – a view from another LGPS scheme	Impact of the 2014 LGPS Regulations		

PENSION FUND COMMITTEE

	Conservative	Labour	Independent Labour	Ungrouped
	(2)	**(2)**	**(0)**	**(0)**
I. Members	**Tony Ferrari** **Richard Romain (CH) ***	**Keith Ferry *** **Sachin Shah**		
II. Reserve Members	1. Stephen Wright 2. Kam Chana	1. Bill Phillips 2. Bill Stephenson		

Harrow UNISON Co-optee (Non-voting): Steve Compton
GMB Co-optee (Non-voting): Sanjay Karia
Co-optee (Non-voting): Howard Bluston

(CH) = Chair
* Denotes Group Members for consultation on Delegated Action and/or administrative matters.

PENSION FUND COMMITTEE

The Pension Fund Committee has the following powers and duties:

to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;

the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;

to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

to establish a strategy for the disposition of the pension investment portfolio; and

to appoint and determine the investment managers' delegation of powers of management of the fund.

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