

PENSION BOARD MINUTES

2 NOVEMBER 2016

Chair:	* Mr R Harbord	
Board Members:	* Councillor Kiran Ramchandani	Employer Representative - London Borough of Harrow
	* Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	* Sudhi Pathak	Employer Representative - Scheduled and Admitted Bodies
	John Royle	Scheme Members' Representative - Active Members

* Denotes Member present

58. Attendance by Reserve Members

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

59. Declarations of Interest

RESOLVED: To note that no interests were declared by the Board Members present.

60. Minutes

RESOLVED: That the minutes of the meeting held on 28 June 2016 be taken as read and signed as a correct record.

61. Public Questions

RESOLVED: To note that no public questions had been received.

62. Petitions

RESOLVED: To note that no petitions had been received.

63. Deputations

RESOLVED: To note that no deputations had been received.

RECOMMENDED ITEMS

64. London Borough of Harrow Pension Board: Draft Annual Report to Council 2016

The Board received a report of the Director of Finance which advised of the need to prepare a report on their work for consideration by Council.

The officer reminded the Board that an initial draft report had been considered at the previous meeting. A revised draft had subsequently been prepared for consideration.

Resolved to RECOMMEND: (to Council)

That the London Borough of Harrow Pension Board Annual Report, attached at Appendix 1, be approved.

65. Review of Terms of Reference

The Board received a report of the Director of Finance which sought views on whether Council should be requested to consider amendments to the Board's terms of reference.

A Board member stated that whilst he had no issue with the terms of reference, which had been based on a model, he was concerned that, at the end of the three year term of the Board membership, there would be no succession and therefore a loss of knowledge. For this reason he suggested that additional members be appointed in April 2017 to ensure a rotation/continuation in membership.

The Board indicated that two meetings per annum was not sufficient in order to carry out their role and that meetings should be synchronised with the Pension Fund Committee meetings. It was agreed that the terms of reference be amended to indicate that the Board would meet at least twice but no more than four times a year.

Resolved to RECOMMEND: (to Council)

That terms of reference of the Pension Board, as amended and set out at Appendix 2, be approved and incorporated into the Council's Constitution.

RESOLVED ITEMS

66. Information Report - Actuarial Valuation 2016

The Board received a presentation from Gemma Sefton, Actuary, Hymans Robertson LLP, on progress on the triennial valuation to date and on the initial whole fund results.

During the course of the presentation Board Members made a number of comments/ asked questions as follows:

- the Board were interested to see the reported increase in the number of Active members in the Fund and considered the reasons for this;
- the Pension Fund Committee had to take a view on the quantum of risk and one role of the Board was to ensure that the Committee did not take unnecessary risk;
- referring to employer contribution rates, a Board member commented that the rate had increased in terms of academies and he questioned the Council's appetite for risk. The officer responded that the SIP recognised demographic factors and discussed investment risk.

The Board thanked the Actuary for her presentation and attendance.

RESOLVED: That the report and presentation be noted.

67. Information Report - London Borough of Harrow Pension Fund: Annual Report and Financial Statements for the Year ended 31 March 2016

The Board received a report which presented the Pension Fund Annual Report and Financial Statements for the year ended 31 March 2016 together with the Annual Audit Letter 2015/16 of the auditors KPMG and provided answers to queries raised by the Board at their previous meeting.

The officer reported that whilst the Council was pleased with the Auditor's view on the Pension Fund Accounts, the Auditor had made one recommendation in relation the Pension Fund in that the Regulations required that all pension schemes have their own bank accounts with effect 1 April 2011. To fully implement this would require a change to the software package used by the Council. A Board member questioned why this recommendation had not been actioned and whether there was any material risk. The officer responded that a separate bank account had been opened, in accordance with the legislation, and transactions had been processed through that account including pensioners' payroll, transfers in and out of the Fund, lump sum and death benefits payments, the receipt of contributions from admitted and scheduled bodies and income from the property investment manager. Each month, Pension Fund related expenditure and income items in the Council's bank account were identified and a monthly cash transfer made from the Council to the Pension Fund.

The Board noted the requirement of the Auditor and agreed with their recommendation in terms of a separate bank account. The Board accepted, however, that the risk was probably small in Harrow. A Board member expressed the view that the Board should have oversight of the Pension Fund Account.

RESOLVED: That

- (1) the report be noted;
- (2) the Auditor's recommendation that the Pension Fund have its own separate bank account, in line with the Local Government Pension Scheme (Management and Investment Funds) Regulations 2009, be supported.

68. Information Report - Status of Pension Board/ Insurance Arrangements

The officer introduced a report which advised the Board of its formal status and requested members to consider the insurance implications arising therefrom. He sought the Board members views as to whether quotes should be sought for liability insurance.

The Board sought clarification as to what other Pension Boards did in terms of insurance. One member stated that at a recent conference it had appeared that many Boards had purchased insurance cover.

RESOLVED: That

- (1) the report be noted;
- (2) the Treasury and Pension Fund Manager seek quotes for £10m cover, with no excess, for a fee in the region of £20,000.

69. Information Report - The Local Government Scheme (Management and Investment of Funds) Regulations 2016

The Board received a report which advised of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into effect on 1 November 2016.

In response to a question in relation to pooling, the officer stated that there had been debate as to whether the Regulations had come in to force but that the advice was to assume that they were in operation.

The Chair drew attention to Regulation 6, Separate Bank Account.

RESOLVED: That the report be noted.

70. Information Report - Statement of Investment Principles/Investment Strategy Statement

The Board received a report which advised of the Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement.

The officer reported that the Collective Investment Vehicle (CIV) had offered London Boroughs the opportunity to use their template for the paragraph on environmental, social and governance matters.

RESOLVED: That the report be noted.

71. Information Report - Pension Fund Committee Meetings: 21 June 2016 and 6 September 2016

The Board received a report which set out matters considered by the Pension Fund Committee at its meetings on 21 June 2016 and 6 September 2016.

The Board commented that Minute 136 stated that Active membership had decreased which was contrary to the presentation given by the Actuary earlier in the meeting. The officer undertook to raise this with the Actuary and to advise Board members accordingly.

RESOLVED: That the report be noted.

72. Information Report - Performance Monitoring

The Board received a report which presented the currently available performance monitoring information.

The Board commented:

- key performance indicators should be relevant and further information was required before any were set. The officer undertook to establish which performance indicators were used by other Boards and to report back to the next meeting;
- the number of complaints should be included;
- the Pension Board should receive the annual newsletter.

RESOLVED: That the report be noted and a further report be submitted to the Board in relation to performance indicators.

73. Information Report - Compliance with The Pensions Regulator Code of Practice

The Board received a report which set out The Pensions Regulator's "Code of Practice no 14" entitled Governance and administration of public service pension schemes, summarised the Fund's compliance with it and invited their comments.

Having considered Harrow's position in relation to the guidance, the Board commented that Harrow was acting within the spirit of the law but that the guidance indicated why it was necessary for Board members to have insurance. The officer advised that he would be submitting a report on a breaches policy to the next meeting of the Committee as that was the only area where Harrow was not meeting the requirements.

RESOLVED: That the report be noted.

74. Information Report - Knowledge and Understanding of Local Government Pension Scheme

The Board received a report of the Director of Finance which detailed the requirements in respect of knowledge and understanding of the Local Government Pension Scheme as set out by CIPFA and The Pensions Regulator. Members were requested to consider how they wished to comply with these requirements.

The officer reported that he kept a spreadsheet of the training opportunities that he became aware of and undertook to report back to the Board on the training undertaken by members. Attendance at training and seminars demonstrated that the Board were keeping up to date in terms of knowledge and understanding.

RESOLVED: That the report be noted.

75. Information Report - Work Programme 2016-17

The Board considered their work programme to the end of the 2016/17 financial year.

The Board commented that

- the Breaches Policy should be included in the work programme;
- a meeting was needed in the Spring in order to comment on the triennial valuation;
- their meetings be held at 2.00 pm.

RESOLVED: That

(1) subject to the inclusion of the Breaches Policy, the work programme 2016-17 be noted;

(2) the next meeting of the Board be held at 2.00 pm on 7 March 2016.

(Note: The meeting, having commenced at 2.02 pm, closed at 4.27 pm).

(Signed) RICHARD HARBORD
Chair

DRAFT

LONDON BOROUGH OF HARROW PENSION BOARD ANNUAL REPORT TO COUNCIL 2016

Background

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

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

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

Meetings

We held our first meeting on 25 June 2015 and Richard Harbord and Gerald Balabanoff were appointed as Chair and Vice-Chair respectively for the remainder of the 2015-16 Municipal Year.

We have subsequently met on four occasions.

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

Themes arising during the year were:

Role and Terms of Reference

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

We understand our role and are generally happy with the generic nature of the Terms of Reference. However, our view is that we should meet more than twice a year and that the periods of office of the various members be staggered to avoid the potential loss of too much experience at one time.

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

Knowledge and Understanding of the Local Government Pension Scheme

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

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

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

Reference to specific training is made below.

Relationship with Pension Fund Committee

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

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

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

Annual Report and Financial Statements

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

- Actuarial assumptions
- Employer contributions

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

We have received reports and presentations from the Actuary at each of our meetings in 2016.

Investment and Management Expenses

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

Benchmarking and key performance indicators

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

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

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

Environmental, Social and Governance Issues

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

Training

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

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

All members of the Board were able to attend.

Conclusion

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

The main provisions are:

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

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

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

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

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

LONDON BOROUGH OF HARROW PENSION FUND

PENSION BOARD

TERMS OF REFERENCE

1) Introduction

The purpose of this document is to set out the Terms of Reference for the local Pension Board (the Board) of the London Borough Harrow Pension Fund (the Fund).

2) Powers of the Board

The Board will exercise all its powers and duties in accordance with the law and this Terms of Reference.

3) Role of the Board

The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters the LGPS regulations may specify.

The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

In its role, The Board will have oversight of the administration of the fund including:

- a) The effectiveness of the decision making process
- b) The direction of the Fund and its overall objectives
- c) The level of transparency in the conduct of the Fund's activities
- d) The administration of benefits and contributions

The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

4) Membership

The Board shall consist of 5 members and be constituted as follows:

- (i) 2 Employer representatives – Administering Authority (1), other scheduled and admitted bodies [ie organisations other than the Administering Authority who, under the regulations, can participate in the LGPS] (1);
- (ii) 2 Scheme Member representatives – active members (1), pensioners (1); and
- (iii) 1 independent member

Elected Members and officers involved in the management and administration of the Fund are not permitted to become Board members.

Only the Employer and Scheme Member representatives will have voting rights.

Each member of the Board will serve for a period of three years, subject to compliance with conditions of appointment. [Members will be appointed on a rotational basis with effect April 2017.](#)

The Chair and Deputy Chair of the Board will be elected by the Board at its first meeting and will serve for a period of three years. Should the elected Chair be an Employer representative the Deputy Chair must be a Scheme Member representative and vice versa.

The Chair will ensure that meetings are properly conducted and the decision of the Chair on all points of procedure and order shall be final.

The Board may, with the approval of the Administering Authority, co-opt persons with sufficient skills and experience to advise and support them. Co-optees are not Board members and do not have voting rights.

Each Board Member should endeavour to attend all Board meetings during the year. In the event of consistent non-attendance by any Board Member the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all other members and with the agreement of the Scheme Manager. Should any member of the Board cease to be a member of the relevant group for which he/she has been appointed he/she will automatically cease to be a member of the Board and the Administering Authority will conduct a replacement process.

5) Appointment of Board members

All Board members will be appointed by Full Council. It is a statutory requirement that the Administering Authority must be satisfied that a person to be appointed as an Employer or Scheme Member representative has the relevant experience and capacity to represent employers or scheme members (as appropriate)

- Administering Authority to nominate one Employer representative
 - The second Employer representative to be nominated by the scheduled and admitted bodies. If more than one is nominated, Council will determine who is to be appointed.
- (i) Scheme Member representatives to be selected through a process administered by the Administering Authority with a recommendation to Council
- (ii) Independent member – applications to be invited by public advertisement with a recommendation by the s151 Officer to Council.

6) Standards of conduct and conflicts of interest

All members of the Board are expected to act in accordance with the Code of Conduct for Councillors where applicable and the Pensions Regulator's Code of Practice. In accordance with s5(5) Public Service Pension Act 2013, a Board member must not have a financial or other interest that could prejudice him/her in carrying out his/her Board duties. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

The policy for identifying conflicts of interest is set out in a separate policy document.

7) Knowledge and Skills

Following appointment each member of the Board should be conversant with:

- The legislation and associated guidance of the LGPS
- Any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund

The Administering Authority will provide a training programme which all Board members will be required to attend.

It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them, properly, to exercise their functions as a Member of the Board and therefore, must comply with the Board's Knowledge and Understanding and Training Policy.

8) Accountability

The Board will collectively and individually be accountable to the Scheme Manager.

The Board will refer all relevant recommendations and decisions to the Pension Fund Committee of the Administering Authority and, where appropriate, to Full Council. It will present a report on its work to the Full Council once a year.

9) Decision making

Each voting member of the Board will have an individual voting right but it is expected that the Board will, as far as possible, reach a consensus. The Chair of the Board, so long as he/she has voting rights, will have the final deciding vote.

10) Quorum

A quorum will comprise 3 of the 5 members of which at least one shall be an Employer representative and one a Scheme Member representative.

11) Meetings

The Board shall meet [at least](#) twice [but no more than four times](#) a year.

The Chair of the Board, in consultation with the Administering Authority will prepare an agenda for each meeting of the Board. The administration of the Board will be in accordance with the normal procedures of the London Borough of Harrow.

An extraordinary meeting will be called when the Chair considers this necessary and/or in circumstances where the Chair receives a request in writing by 50% of the voting membership of the Board

12) Publication of Pension Board Information

The Administering Authority will publish up to date information on the Council's website including:

- The names of the Board member
- The Board's Terms of Reference
- Papers, agendas and minutes of Board meetings.

13) Advice to the Board

The Board will be supported in its role and responsibilities by the Administering Authority through advice and support as appropriate.

14) Expense Reimbursement

Each member of the Board and any co-opted persons, excluding elected Councillors of the London Borough of Harrow and Council Officers will be reimbursed at a rate of £445 per annum (exclusive of VAT if payable). All members of the Board and any co-opted persons will be paid “out-of-pocket” expenses when carrying out the functions of the Board including approved training.

15) Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>Administering Authority</i>	London Borough of Harrow
<i>Board or Pension Board</i>	The local Pension Board for the London Borough of Harrow, Administering Authority for the London Borough of Harrow Pension Fund as required under the Public Service Pensions Act 2013
<i>Board Member</i>	A member of the Board including Employer representatives, Scheme Member representatives and an independent member
<i>Code of Practice</i>	The Pensions Regulator’s [draft] Code of Practice no 14 entitled “ <i>Governance and administration of public service pension schemes.</i> ”
<i>Conflicts of Interest</i>	As defined in the Public Service Pensions Act 2013
<i>Conflicts of Interest Policy</i>	The policy on conflicts of interest as adopted by the Board
<i>Employer Representative</i>	A person appointed to the Board for the purpose of representing employers for the Scheme
<i>Fund</i>	The London Borough of Harrow Pension Fund within the Scheme administered and maintained by the Scheme Employer
<i>Independent Member</i>	A Member of the Board who is neither an Employer Representative nor a Member Representative
<i>Knowledge and Understanding and Training Policy</i>	The training policy as adopted by the Board
<i>LGPS</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

<i>Member Representative</i>	A person appointed to the Board for the purpose of representing members of the Scheme
<i>Scheme</i>	The Local Government Pension Scheme as defined under LGPS.
<i>Scheme Manager</i>	London Borough of Harrow as administering authority of the London Borough of Harrow Pension Fund

16) Interpretation

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.