

PENSION BOARD MINUTES

7 MARCH 2017

Chair: * Mr R Harbord

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

* Denotes Member present

† Denotes apologies received

76. Attendance by Reserve Members

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

77. Declarations of Interest

RESOLVED: To note that there were no declarations of interests made by members of the Board.

78. Minutes

RESOLVED: That the minutes of the meeting held on 2 November 2016 be taken as read and signed as a correct record.

79. Public Questions

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

80. Petitions

RESOLVED: To note that no petitions had been received.

81. Deputations

RESOLVED: To note that no deputations had been received.

RESOLVED ITEMS

82. Insurance Cover for the Board

The Board received a report which advised of the insurance cover arrangements recommended to cover them in their work in connection with the Pension Fund.

The Chair advised that, having had a discussion with the Pension Regulator, the Board could be held as negligent if it did not act on any matter of concern that came to their attention. He added that currently only two Pension Boards out of eighty nine had insured themselves but that this was probably because it was early days.

The Council's Insurance Manager stated that the insurance cover proposed would cover a third party's financial loss such as a claim against the Pension Board by a disgruntled employee, but would not cover fraudulent acts. She explained that Harrow was part of an insurance consortium and that the market in relation to Pension Board insurance was likely to develop.

RESOLVED: That insurance cover for the Board's work, with a maximum liability level of £5m, be put in place with Ace European Group Ltd at an annual premium of £4,000 + IPT (currently 10%).

83. Information Report - Actuarial Valuation

The Board received the triennial Actuarial Valuation Report and the Council's employer's Valuation Results and Contribution Strategy produced by the Council's Actuary Hymans Robertson LLP.

The Director of Finance welcomed Gemma Sefton, Actuary, and Laura Molloy, Actuary, both of Hymans Robertson LLP to the meeting. She advised that an additional £1m would be added to the Pension Fund for each of the next 3 financial years as it was recognised that the contribution rates were a little low.

Ms Sefton advised that the actuarial valuation was almost complete with a final conclusion date of 31 March 2017. There had been further consultation with employers, with a presentation at the end of February. The Council had

to have a long term credible funding plan. In terms of the £1m additional contributions, Ms Sefton advised that the aim was to recover the deficit over 20 years as, when the modelling had been run, Hymans Robertson had not been comfortable that the fund was sufficient to cover its liabilities. This additional contribution made the fund appropriate and credible.

In response to the comment that the Council was fortunate in that it could make this additional contribution to the fund, the Director of Finance reported that there was significant pressure on the Council but that the contribution rates were relatively low.

Clarification was sought in relation to the secondary contributions detailed on page 63 of the agenda and Ms Sefton explained that the balance between both primary and secondary rates depended on what the rates were intended to fund. The primary rate was defined by guidance from CIPFA for the purposes of the valuation report.

RESOLVED: That the report be noted.

84. Funding Strategy Statement

The Board received a draft Funding Strategy Statement.

The officer introduced the report and advised that it had been prepared taking the comments of employers into account. He confirmed that the Statement met the statutory guidelines.

A member of the Board sought clarification on the stabilisation rate and whether timelines could be increased.

RESOLVED: That the report be noted and comments be forwarded to the Pension Fund Committee.

85. Investment Strategy Statement

The Board received a report which set out the draft Investment Strategy Statement.

The officer advised that the draft statement had been circulated for comments a number of times to members of the Board, the Pension Fund Committee and its advisers, all employers and the trade unions and that the document followed on from the Statement of Investment Principles. Considerable advice and support had been received from the Pension Fund Committee, Aon Hewitt and Hymans Robertson. He added that the Statement complied with guidance.

In terms of investment in municipal housing, as suggested by an observer at the Pension Fund Committee, a member of the Board stated that he would be concerned if there were to be investment in this area.

The officer noted the comments that the Investment Strategy should seek to secure gains for the Fund. He advised that Aon Hewitt would be requested to

prepare a revised Investment Strategy and should consider securing gains and rewards for the risks taken. In response to a question, the officer advised that he would raise infrastructure with Aon Hewitt as a matter for consideration.

In response to a question in relation to performance assessment, the officer advised that the Council had agreed a contract with Pensions and Investment Research Consultants Ltd (PIRC) who had 56 of the LGPS funds on their books. The Board were concerned as to the limited progress on putting new performance measurement arrangements in place and were assured that PIRC were being encouraged to provide better information.

The Chair requested that a training session on social, environmental and governance issues be arranged.

RESOLVED: That

- (1) the draft Investment Strategy Statement be noted; and
- (2) the Board's comments be conveyed to the Pension Fund Committee.

86. Communications Policy Statement

The Board received the draft revised Communications Policy Statement. The officer outlined the content of the report and sought the Board's comments.

The Board questioned whether the Council website made reference to the Pension Board and whether there was any evidence that employees looked at pension information on the Hub or website. Clarification was also sought as to how employees could contact members of the Board; details could be included in the annual pension statements or a generic email account could be established. In addition to this, it was suggested that the Whistleblowing Policy be referenced. The arrangements for deferred members was also questioned. The officer undertook to submit a report to the next meeting on these issues.

RESOLVED: That

- (1) the draft revised Communications Policy Statement be noted; and
- (2) the Board's comments be conveyed to the Pension Fund Committee.

87. Governance Compliance Statement

The Board received a draft revised Governance Compliance Statement.

The officer outlined the content of the report and the Board commented as follows:

- the Pension Fund Committee could invite non Council employees to attend their meetings;

- the paragraph on 'Structure' could be strengthened to indicate that the Board were welcomed at meetings of the Committee.

RESOLVED: That

- (1) the draft revised Governance Compliance Statement be noted; and
- (2) the Board's comments be conveyed to the Pension Fund Committee.

88. Policy for Reporting Breaches of the Law

The Board received a draft Policy for Reporting Breaches of the Law.

The officer outlined the content of the report and sought the views of the Board. It was commented that this document was linked to the need for the Board to have its own insurance.

RESOLVED: That

- (1) the draft Policy for Reporting Breaches of the law be noted;
- (2) any known breaches be reported to future meetings of the Board; and
- (3) the Board's comments be conveyed to the Pension Fund Committee.

89. Information Report - Performance Monitoring of Pensions Administration Service

The Board received a report which set out performance monitoring information as currently available and sought views on what further information it would wish to receive.

A Board member requested that a report be submitted to the next meeting in order to provide details of staffing levels in relation to performance monitoring of the Pensions Administration Service.

Officers were asked to consider again whether any benefit was to be gained by subscribing to the CIPFA benchmarking service.

RESOLVED: That the report be noted.

90. Information Report - External Audit Plan 2016-17

The Board received the External Audit Plan for 2016-17.

The officer reported that improvements had been made to the operation of the Pension Fund bank account.

RESOLVED: That the report be noted.

91. Information Report - Pension Fund Committee Meeting - 22 November 2016

The Board received the minutes of the Pension Fund Committee meeting held on 22 November 2016.

RESOLVED: That the report be noted.

92. Information Report - Annual Review of Internal Controls at Investment Managers

The Board received a report which set out, in summary, the contents of the latest internal controls reports for eight of the Fund's ten investment managers.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 2.04 pm, closed at 3.55 pm).

(Signed) RICHARD HARBORD
Chair