

Pension Board AGENDA

DATE: Tuesday 20 June 2017

TIME: 2.00 pm

VENUE: Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

MEMBERSHIP (Quorum 3)

Chair: Mr R Harbord

Board Members:

- | | |
|------------------------------|---|
| Councillor Kiran Ramchandani | - Employer Representative - London Borough of Harrow |
| Gerald Balabanoff | - Scheme Members' Representative - Pensioners |
| Sudhi Pathak | - Employer Representative - Scheduled and Admitted Bodies |
| John Royle | - Scheme Members' Representative - Active Members |

Contact: Alison Atherton, Senior Professional - Democratic Services
Tel: 020 8424 1266 Email: alison.atherton@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at:
<http://www.harrow.gov.uk/site/scripts/location.php>.

Filming / recording of meetings

The Council will audio record Public and Councillor Questions. The audio recording will be placed on the Council's website.

Please note that proceedings at this meeting may be photographed, recorded or filmed. If you choose to attend, you will be deemed to have consented to being photographed, recorded and/or filmed.

When present in the meeting room, silent mode should be enabled for all mobile devices.

Meeting access / special requirements.

The Civic Centre is accessible to people with special needs. There are accessible toilets and lifts to meeting rooms. If you have special requirements, please contact the officer listed on the front page of this agenda.

An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Monday 12 June 2017

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. APPOINTMENT OF CHAIR

To appoint a Chair for 2017/18 Municipal Year.

3. APPOINTMENT OF VICE-CHAIR

To appoint a Vice-Chair for 2017/18 Municipal Year.

4. 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 Committee;
- (b) all other Members present.

5. MINUTES (Pages 7 - 12)

That the minutes of the meeting held on 7 March 2017 be taken as read and signed as a correct record.

6. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17.

Questions will be asked in the order notice of them was received and there be a time limit of 15 minutes.

[The deadline for receipt of public questions is 3.00 pm, Thursday 15 June 2017. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

7. 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).

8. DEPUTATIONS

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

9. LOCAL PENSION BOARD SURVEY (Pages 13 - 22)

Report of the Director of Finance

10. INFORMATION REPORT - PERFORMANCE MONITORING OF PENSIONS ADMINISTRATION SERVICE (Pages 23 - 74)

Report of the Director of Finance

11. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION FUND: DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Pages 75 - 126)

Report of the Director of Finance

12. INFORMATION REPORT - PENSION FUND COMMITTEE MEETINGS ON 7 MARCH 2017 AND 10 MAY 2017 (Pages 127 - 148)

Report of the Director of Finance

13. INFORMATION REPORT - ANNUAL REVIEW OF INTERNAL CONTROLS AT LONGVIEW PARTNERS (Pages 149 - 154)

Report of the Director of Finance

14. INFORMATION REPORT - PENSION FUND RISK REGISTER (Pages 155 - 172)

Report of the Director of Finance

15. INFORMATION REPORT - WORK PROGRAMME 2017-18 (Pages 173 - 176)

Report of the Director of Finance

16. ANY OTHER BUSINESS

Which cannot otherwise be dealt with.

AGENDA - PART II

Nil

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 6 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[**Note:** The questions and answers will not be reproduced in the minutes.]

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PENSION BOARD MINUTES

7 MARCH 2017

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
- † 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

REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: Local Pension Board Survey

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosure: Local Pension Board Survey

Section 1 – Summary

This report advises the Board of the receipt of a survey being conducted by the Local Government Association and invites the Board to comment on the suggested responses.

Section 2 – Report

1. On 29 May 2017 the Pension Secretary, Local Government Association (LGA) wrote to the Chair of the Board in the following terms:

Dear Local Pension Board Chair - Regulation 106 of the Local Government Pension Scheme Regulations 2013 required LGPS administering authorities to establish local pension boards by 1st April 2015 to assist them in the effective administration and governance of the scheme.

Given the passage of time since the establishment of local pension boards, the Scheme Advisory Board considers that it would be appropriate and timely to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of local pension boards and interaction with their administering authority.

The web based survey at <http://lgpsboard.org/survey.php> is intended to enable the Scheme Advisory Board to identify any areas of the legislation or related guidance affecting local pension boards that may need to be reviewed to ensure that the statutory requirements of the 2013 Regulations and [code of practice](#) issued by the Pensions Regulator are being met. Where appropriate, the Board may make recommendations to DCLG for any regulatory changes that are considered necessary.

To ensure impartiality, the link to the survey is being sent separately to both the administering authority on behalf of their section 101 pension's committee and their local pension board who are invited to complete the same survey independently. However, this is not to exclude any administering authority and their local pension board from collaborating on their respective responses where this is agreed locally. The closing date for survey responses is the 28th July 2017, though this could be extended if that closing date precludes consideration of the survey by a meeting of the pensions committee or local pension board.

In cases where either a combined board or joint local pension board has been agreed by the Secretary of State, the survey should be completed by the Chair of the combined board or joint board with the agreement of the majority of board members. In the case of a joint board, the respective administering authorities will also be invited to complete the survey. To ensure that all relevant scheme stakeholders have an opportunity to participate, the website link to the survey is also being circulated to a wide range of bodies including the main local government trade unions.

Administering authorities have also been invited to publicise the survey locally on their web site.

It is appreciated that administering authorities and their local pension board have only recently completed the Pension Regulator's Public Service Governance Survey 2016. The Regulator will not be disclosing individual data to third parties whereas, unless you confirm otherwise, the Scheme Advisory Board will be able to make greater use of individual responses to their survey in assessing whether any changes to regulations or guidance need to be made.

2. On 31 May 2017 the Pensions Adviser, Workforce Team, LGA wrote to an officer of the Council, copying the Pension Secretary's email and introducing it in the following terms:

The Scheme Advisory Board (SAB) recently invited the chairs of LGPS pension committees and local pension boards to participate in a [survey](#) to assess the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of the local pension board. SAB agreed that the survey should also be extended to scheme stakeholders, in particular, the main local government trade unions.

Because of the recent local elections the SAB do not have contact details for all the chairs of LGPS pension committees and administering authorities are therefore asked to forward the message below onto their respective pension committee chairs and, for completeness, the chair of their local pension board.

3. In summary, it would appear that the LGA are seeking responses from the Chair of the Pension Fund Committee on behalf of the administering authority (LB Harrow) and the Chair of the Pension Board. It is assumed that, in preparing their responses, the two Chairs would wish to take into account the views of their members. The Committee will be invited to consider their response at their meeting on 28 June 2017 and the Board are now invited to consider their reply.
4. The opportunity for collaboration between the Committee and the Board is available and the Board's views on this are invited. However, at this stage they are asked just to consider their own response.
5. Attached is a copy of the partially completed survey on which the Board are invited to comment. Notes which the Board might find helpful are as follows:

Questions 1- 10

Basic factual information completed by officers

Question 11

Basic factual information which could be separately annotated "No, but it operates in accordance with the Council's Constitution"

Question 12

Basic factual information completed by officers

Question 13

Basic factual information which could be separately annotated "Yes, declarations of interest are requested at the start of each meeting"

Questions 14 and 15

Basic factual information completed by officers

Question 16

Basic factual information which could be separately annotated “Yes, but tends to involve general guidance on facilities available rather than a structured programme”

Question 17

To be completed by Board

Questions 18 and 19

Basic factual information completed by officers

Question 20

No comment required

Questions 21-23

To be completed by Board

Question 24

Basic factual information which could be separately annotated “Yes, officers attend all meetings and, on one occasion, the Vice-Chair of the Pension Fund Committee attended”

Questions 25-31

Basic factual information completed by officers

Questions 32 - 34

Basic factual information completed by officers

Question 35

Basic factual information which could be separately annotated “Yes, independent external advice is available to the Board eg the Actuary has attended on occasions”

Question 36

Basic factual information completed by officers

Questions 37 and 38

To be completed by Board

Questions 39 and 40

Basic factual information completed by officers

Risk Management Implications

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

Equalities implications

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

Council Priorities

8. The financial health of the Pension Fund directly affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 6 June 2017		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

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

Background Papers - None

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Part 1

1 When did the Board first meet? (insert date DD/MM/Year)*	25/06/2015
2 How often a year is the Board required to meet?*	At least twice but no more than four times
3 How many meetings have been held to date?*	7
4 What is the number of employer representatives on the Board?*	2
5 What is the number of employee representatives on the Board?*	2
6 How was the Chair of the Board appointed?*	Selected by Board members ▼
7 Is the Chair of the Board remunerated?*	Yes ▼
7a What remuneration is paid?	The Council's co-optee rate of £445 pa
8 Are any other members of the Board remunerated?*	Yes ▼
8a What is the average amount of remuneration	The Council's co-optee rate of £445
9 Are expenses paid to Board members?*	Yes ▼
10 Is facility time given by the scheme manager to employee representatives of the Board?*	Yes ▼

Part 2

11 Is there a written constitution for the Board?*

No

12 Does the Board have a terms of reference?*

Yes

13 Does the Board have a conflict of interest register?*

Yes

14 Do you keep a register of breaches of the law?*

Yes

15 Is there a risk register?*

Yes

16 Is there a programme for Board members to acquire knowledge and understanding?*

Yes

17 Where "YES" has been given as the answer to Questions 11 to 16, on a scale of 1 (very poor to 10 (very good), how would you evaluate :-

i) the constitution 1 10

ii) the terms of reference 1 10

iii) the conflict of interest register 1 10

iv) the register of breaches 1 10

v) the risk register 1 10

vi) the knowledge and understanding programme 1 10

18 Is personal liability or indemnity insurance available to Board members?*

Yes

19 Is the Board compliant with guidance issued by the Scheme Advisory Board?*

Yes

20 If the answer to Question 19 is "No", give reasons below :-

21 Give up to three examples where you think the Board is working well :-

22 Give up to three examples where you think the Board could improve what it does:-

Section 2 : Operation and Working Relationship

23 On a scale of 1 (very poor) to 10 (very good), how would you evaluate :-

i) the relationship between the administering authority and the board? 1 10

ii) the relationship between the pensions' committee and the board? 1 10

iii) the board's ability to identify non-compliance with legal requirements? 1 10

iv) the board's ability to make recommendations to the administering authority when non compliance has been identified? 1 10

v) the administering authority's response to any such recommendations? 1 10

vi) the effectiveness of communication between the administering authority, pensions' committee and the board? 1 10

vii) the knowledge and understanding programme available to the board? 1 10

- 24 Has the administering authority in any capacity attended any local pension board meetings?*
- 25 In the last 12 months, have any breaches of the law been identified by the local pension board?*
- 26 Who is responsible for agreeing the agenda for local pension board meetings?*
- 27 Have any local pension board meetings not been quorate?*
- 28 Is voting a regular feature of local pension board meetings?*
- 29 Does the local pension board have a webpage on the administering authority's web site?*
- 30 Does the local pension board have a workplan?*
- 31 Has the local pension board agreed any success measures/KPIs for its work?*
- 32 Has the local pension board produced an Annual Report?*
- 33 Are the local pension board's papers agenda, papers, etc, available on the board's webpage?*
- 34 Does the local pension board have control of a budget?*
- 35 If it has a budget, can it be used to access independent external advice?*
- 36 Does the local pension board have access to internal and external audit reports?*

Yes

No

ing taken advice at each Board meeting

No

No

Yes

Yes

Yes

Yes

Yes

No

Yes

Yes

37 Describe below any ways in which you think the working relationship between the administering authority, pensions' committee and the board could be improved.

38 Use the space below to comment on any other aspect of the new governance arrangements that you consider to be relevant.

39 Please confirm the capacity in which you are completing this survey*

Local pension board chair

40 Please confirm the name of the organisation/pension board you represent*

London Borough of Harrow

Submit

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REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: Information Report - Performance Monitoring of Pensions Administration Service

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Corporate Services Benchmarking Clubs – CIPFA
Pensions Administration Benchmarking Club - CIPFA

Section 1 – Summary

Summary

This report presents the Board with performance monitoring information and asks them to consider whether the Council should subscribe to the CIPFA benchmarking service for Pensions Administration.

For information

Section 2 – Report

1. At its last meeting on 7 March 2017 the Board received a report which presented the, then, available performance monitoring information. As minuted, the Board commented and resolved as follows:

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.*

Staffing and costs

2. During 2016-17 there were 6.6 staff members in post dealing with the full administration of the Local Government Pension Scheme. Costs were as follows:

	£
Monthly pay	163,892.67
Overtime and pensions	69,661.83
TOTAL	233,554.45

3. Further details on performance are given in paragraph 12 below

CIPFA Benchmarking Club

4. As requested by the Committee, CIPFA have been approached for information to allow officers and the Board to consider whether it would be appropriate to subscribe to their Pensions Administration benchmarking service.
5. Attached is a copy of the CIPFA brochure which explains the benefits of benchmarking and of subscribing to the CIPFA service. On page 13 is the description of the Pensions Administration service as follows:

We collect the transactional volumes and processing costs for administering the LGPS using the SF3 definitions. Costs are further analysed by function.

Data is collected in the following areas:

- *Membership analysis*
- *Employer analysis*
- *Change events – member and employer*
- *Quotations and charges*
- *Communications*
- *Tracing agencies*
- *Self service*

6. An example of the annual report produced by CIPFA for an individual authority is attached – NB whilst this report is identified as that of a county council it is publicly available on the CIPFA benchmarking website.
7. The example report indicates that the benchmarking data is provided in sections as follows:

- Section 1 – Summary
- Section 2 – Cost measures
- Section 3 – Workload measures
- Section 4 – Staff related measures
- Section 5 – Industry standard PIs

8. Whilst, clearly, the benchmarking covers only “measurable” aspects of the service rather than quality it could be of value to the Board.
9. However, benchmarking is only of value if the peer group covered is appropriate. CIPFA have advised that the current subscribers to the Pensions Administration service are as follows:

Class of authority	Number of subscribers
County	19
London unitary	5
Met unitary	8
Other English unitary	10
Welsh unitary	4
Scottish unitary	2
Other	4
TOTAL	52

The total universe is likely to be about 100 authorities hence the coverage is substantial. However, it is clear that the “club” is dominated by the larger LGPS administering authorities. Very few London boroughs subscribe hence, were the Council to do so, it would be one of the smallest funds and would be incurring “London” costs and conditions not being faced by the majority of the subscribers

10. The cost of subscribing, at £750 pa, would be a relatively modest though there would be an administration cost, particularly in year 1, of completing the input data.
11. The Board are asked to consider whether they would wish the Fund to subscribe to the benchmarking service.

Performance monitoring

12. The Board have previously been advised that performance monitoring information is included in the Annual Newsletter distributed to all members and employers in the Fund and other stakeholders. Data for 2016-17 is as follows:

SERVICE	Harrow performance target (%)	Actual (%)	National benchmarking target (days)
Issue letter notifying of dependant's benefit in 3 days	95	45.61	5
Provide transfer details to member in 5 days	95	100.00	10
Calculation and notification of all retirement (including ill-health) benefits estimate in 7 days	95	87.52	10
Issue letter to new pension provider detailing transfer-out quote in 9 days	97	100.00	10
Calculation and notification of deferred benefits in 8 days	97	97.56	10
Calculation and notification of all retirement (including ill-health) benefits in 3 days	95	73.86	5
Process refund and issue payment within 5 days	98	93.75	5
Contact next of kin on notification of death in 3 days	100	100.00	5
Issue statutory notification on receipt of transfer funds in 5 days	95	62.84	10

It should be noted that this performance information is very similar to that provided in Section 5 of the model report discussed in paragraphs 6-8 above.

13. The Board's comments are invited.

Financial Implications

14. Whilst the provision of performance monitoring information should assist in the efficient and effective management of the Pension Fund the only financial implication potentially arising directly from this report would be a charge to the Pension Fund of £750 pa for the provision of the CIPFA benchmarking service.

Risk Management Implications

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

Equalities implications

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

Council Priorities

17. The financial health of the Pension Fund directly affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Chief Financial Officer

Date: 7 June 2017

Ward Councillors notified: Not applicable

Section 4 - Contact Details

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

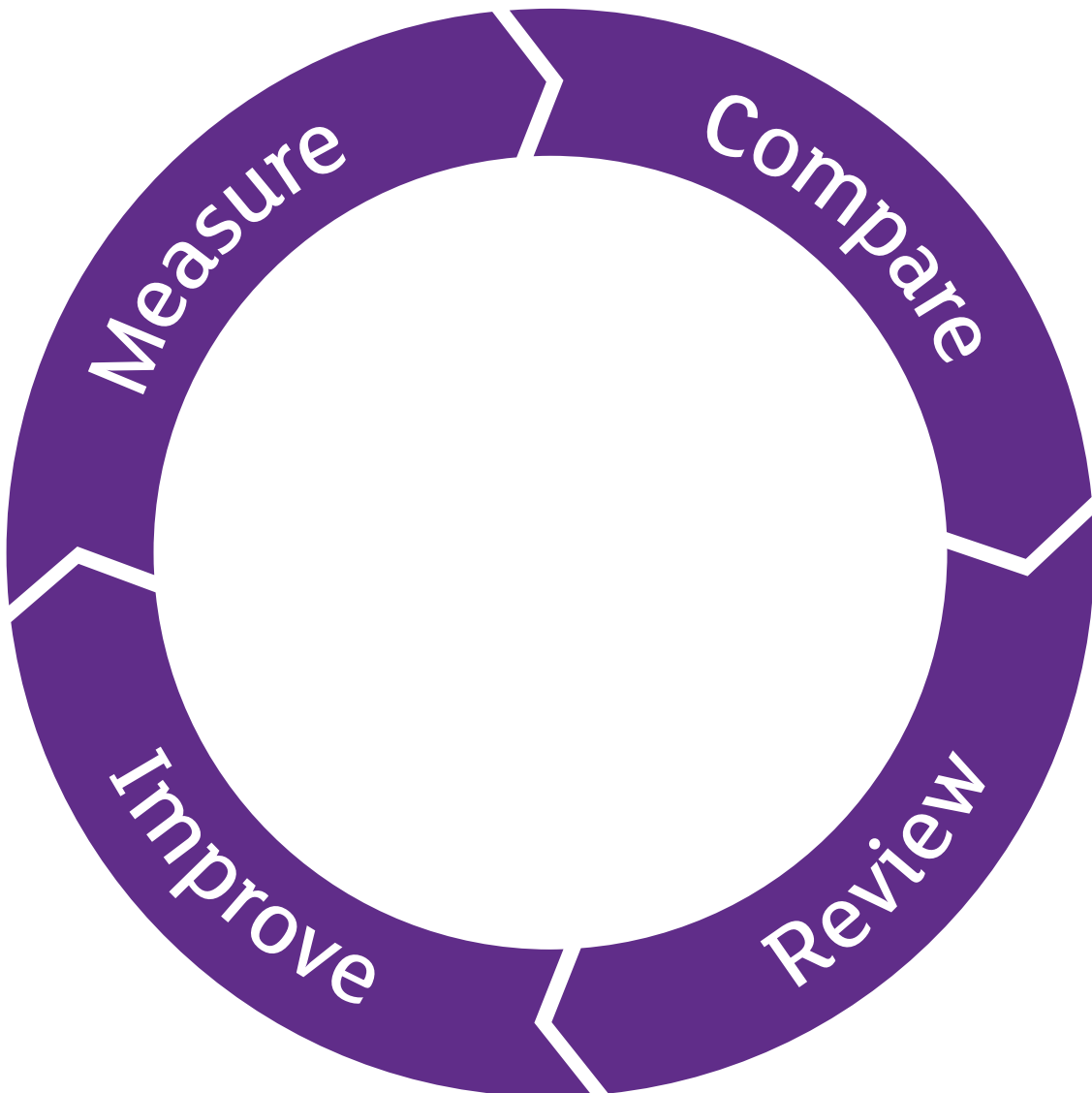
Background Papers – None

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CIPFA Analytics and Research

corporate services benchmarking clubs

2017



a new, improved service

Benchmarking is a vital tool to help drive improvements and deliver value for money. We have developed our clubs with a real collaborative ethos, ensuring that they continue to meet your needs, constantly improving to maximise the value to your organisation.

We've listened to your feedback and made a number of significant enhancements to the service:

- The new integrated package giving you access to our full club range for one price continues
- Don't have the resource to complete all returns? That's fine, we'll now be providing national reports for those clubs you are unable to participate in
- Our detailed comparative reports and interactive tools, uniquely prepared for your individual authority, will still be available for the clubs you provide returns for
- New executive summaries highlighting the key metrics, ideal to provide to management teams and for an at-a-glance review
- Improved reporting including enhanced visualisations and intelligent text, adding even more value to the outputs received
- Online access to all outputs for your entire organisation, including access to historical reports where your organisation was a member
- New qualitative feedback reports drawing on the information provided from your scrapbook responses to add rich insight
- Streamlining questionnaires so that they focus on the key information and minimise the burden upon your staff to complete
- A review meeting where results are presented and best practice examples made accessible to all members

Additional benefits

Discounted access to an on-site workshop where one of our expert advisors will present the key findings to your management team.

Savings

All this is being provided at a lower cost than before with a significant 50% saving over 2 years ago for access to all clubs.

corporate services benchmarking

Measuring is the key to greater efficiency

Benchmarking is a vital tool to help drive improvements and deliver value for money. To really improve the performance and efficiency of your organisation you need to measure your back office functions and compare yourselves to similar organisations so that you can identify where changes should be made.

CIPFA holds more data on local government performance than any other organisation in the UK and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction.

Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

Corporate Services

Our Corporate Services Benchmarking Clubs cover the key back office functions that you will need to improve if you are to maximise your efficiency.

‘Members are very interested in cost comparison with other exercise is an effective way of achieving this. It also enables us to look at what we are doing differently and whether this impacts upon our service.’

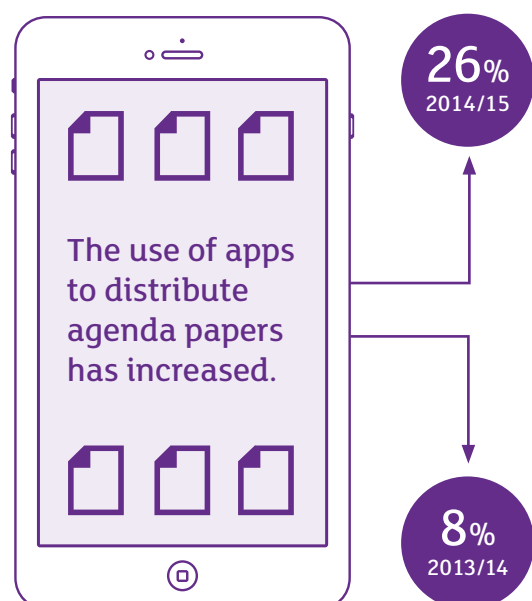
Steve Hart, London Borough of Haringey – Non Domestic Rates Benchmarking Club

The benefits of benchmarking

Establishing a baseline for your service delivery and identifying where you can improve is critical for service managers who need to reduce costs and transform services in tough economic times.

Our benchmarking will help you:

- compare your organisation’s costs and performance with similar bodies
- review performance trends within your authority over time
- evidence your organisation’s performance in relation to value for money
- highlight areas of concern or where costs might be reduced
- share information and ideas with your peers at our review meetings
- learn from the successes and mistakes of your peers
- produce detailed reports for management teams and audit committees
- become more efficient and manage your resources more effectively.



benchmarking added value

CIPFA's benchmarking reports already provide you with the ability to expertly compare your authority's costs and performance with other members, in addition to highlighting areas where you may reduce costs intelligently with minimal impact.

On top of these market leading reports, CIPFA offers three tools as part of the service that will allow you to perform an in-depth exploration and gain further valuable insights from the benchmarking reports data: the **Interactive Report**, the **Read-Back Interface**, and the **Scrapbook**.

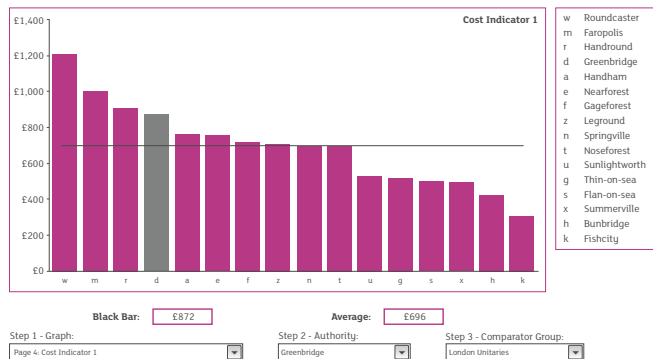
Interactive Report

CIPFA's Interactive Report allows benchmarking club members to quickly and easily reproduce many of the graphs found in the benchmarking reports.

You can select which graph you want to create, highlight specific members, and select groups of members to compare.

These graphs are easy to insert into PowerPoint presentations or Word documents, giving you flexibility to effectively present your data.

CIPFA Example interactive report:



Read-Back Interface

CIPFA's Read-Back Interface gives benchmarking club members unprecedented access to the raw data behind the graphs and analysis that are generated by benchmarking club reports.

You simply select the member that you would like to view raw data for, and the questionnaire populates itself with the relevant figures.

Using these figures, you can perform your own numerical and statistical analysis against other authorities, creating your own graphs or reports based on the raw data provided.

Scrapbook

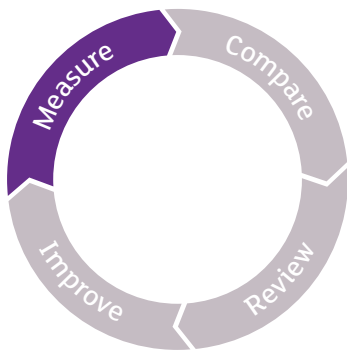
Where CIPFA's benchmarking reports provide detailed numerical analysis, CIPFA's Scrapbooks provide access to feedback on the challenges that members face, and the best practices they have implemented.

By providing access to the text responses that members have given to these questions, CIPFA's Scrapbooks provide a valuable insight into the successful measures that other members have taken to overcome shared challenges.

the benefits of being a benchmarking club member

We have developed our clubs with a real collaborative ethos. Each club is run to a timetable that ensures that you can benefit from the outputs when they are the most useful to you.

CIPFA benchmarking clubs follow the well established improvement cycle:

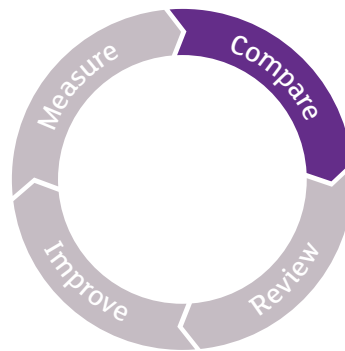


Measure

Questionnaire: A user-friendly questionnaire is circulated to nominated contacts with detailed definitions and guidance on its completion. A telephone and email helpline is also available to answer any queries. You will typically have a six week period in which to return data (see timetable section).

Data Analysis and Validation: The returned data is subject to extensive analysis and validation to ensure that data is as accurate as possible. A draft report is then issued providing you an opportunity to revise data if we reveal any inconsistencies before final reports.

As we are benchmarking each function from the point of view of your organisation, it doesn't matter how the function is delivered, whether in-house, via shared services, contracted out or a mixture of these.



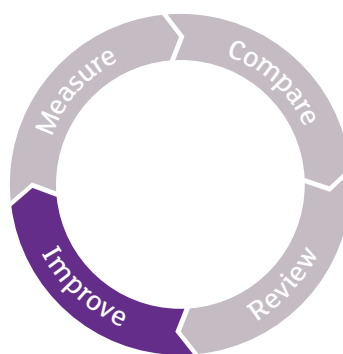
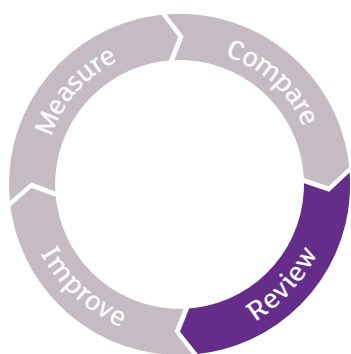
Compare

Comparative Reports: Members get two reports that will identify your specific authority in a series of easy to understand tables and graphical visualisations that collectively build up a detailed view of your service; one will compare you to all club members and the second with your personally selected group of organisations.

Scrapbook: Each club includes textual questions covering key areas of policy and practice that provide detailed insight into approaches taken by peer organisations in a clear and simple to read set of documents.

Having access to good quality information from your organisation and from your peers is only part of the cycle.

CIPFA benchmarking clubs allow you to review your processes and practices and to improve your efficiency.



Review

Database and Interactive Report: A full database is available for club members, including all data and member contact details, and a user-friendly interactive reporting tool allowing you to recreate any of the charts from the main reports using alternative groupings so you can carry out deeper analysis.

Review Meetings: At the end of the exercise, members can attend review meetings to discuss and debate the findings; you can also use this as a chance to discuss best practice and matters of mutual concern with your peers.

Improve

You use your learning to make changes in your organisation. We can also offer additional support interpreting and utilising your benchmarking results to support organisational transformation and improvement through our expert advisory service.

CIPFA works to constantly improve the benchmarking service and so at the end of the process we assemble a steering committee, formed of experienced practitioners from the relevant service area, to ensure the scope of the exercise and the questionnaire meets your needs. All our exercises are guided by you so we can collect information that will continue to help you in the delivery of your services.

By joining you will receive a suite of comparative reports, the full club database, an Interactive Reporting tool, a scrapbook of approaches and the opportunity to attend a review meeting. All within the club price!

More help...

Please visit our website: www.cipfa.org/services/benchmarking to see our other benchmarking clubs such as those for Adult Social Care, Children's Services and fees and charges, or to see our Value for Money Indicator streams.

corporate services benchmarking clubs 2017

Clubs offered for 2017:

Finance

- 1 Accountancy
- 2 Treasury Management

Governance

- 3 Audit
- 4 Risk Management
- 5 Counter-fraud
- 6 Insurance

Revenues and Benefits

- 7 Council Tax
- 8 Non-Domestic Rates
- 9 Benefits Admin
- 10 Debtors

Staff

- 11 HR
- 12 Payroll
- 13 Pensions Admin

Legal and Democratic

- 14 Legal
- 15 Democratic

Supplies

- 16 Procurement
- 17 Creditors

‘This year’s and last year’s benchmarking have fed into two service reviews as they clearly demonstrated how our workloads and costs per 1,000 population compared to other similar authorities. The reviews have rationalised our team structures to maximise value for money for our residents. This year’s figures will also be fed into a council-wide transformation.’

Holly Adams, Waltham Forest – Democratic Services Benchmarking Club

Finance

1 | Accountancy

Accountancy is at the core of every finance function.

We collect staffing (central and local) and cost data for the following defined activities:

- financial strategy and planning
- financial advice
- budget preparation
- budget monitoring
- preparation of final accounts
- technical research and major projects
- systems support
- treasury management

The total cost of the accountancy function and staff FTE's are allocated across the services being supported using the standard SeRCOP service analysis.

We compare the accountancy cost per £1,000 gross revenue turnover for the authority and by service. We also compare the accountancy staff FTE per £million gross revenue turnover for the authority and by service.

2 | Treasury Management

We analyse the previous year's treasury management activity for both investment and borrowing. Investment spreadsheets are provided for member's use, so that their monthly balances and returns can be computed on a consistent basis for various types of investment including: fixed rate deposits, callable and structured products, notice accounts, money market funds, gilts and bonds and externally managed funds.

We can then compare:

- rates of interest received and average investment balances
- investment structure and maturity profiles
- rates of interest paid and balances for temporary and long term borrowing
- overall cost of the treasury management function.

Governance

3 | Audit

We collect staffing (central & local) and cost data for the internal audit function in order to derive the number of audit days available and the cost per audit day.

We then compare the audit days per £million authority gross revenue turnover.

This is further analysed by:

- type of audit
- system audited
- type of risk

We also compare and analyse in-house staff by cost per auditor and the number of chargeable days per auditor.

4 | Risk Management

Our club was developed by CIPFA in partnership with Alarm with the aim to:

- inform the Annual Governance Statement
- provide evidence for external audit
- inform the annual risk management plan
- measure the organisation's level of maturity within risk management.

The main areas covered are:

- leadership and management
- policy and strategy
- people
- partnership and resources
- processes
- risk handling and assurance
- outcomes and delivery.

5 | Counter Fraud

It is estimated that the public sector loses £21bn a year to fraud, of which £2.1bn relates to local government.

The National Fraud Authority (NFA) has established a specialist team to support local authorities tackling this issue and in partnership with local authorities has developed the first unified, strategic approach to counter fraud against local authorities, 'Fighting and Corruption Fraud Locally' (FFCL) launched on 4 April 2012.

Endorsed by FFL and drawing on the excellent work of the CIPFA Better Governance Forum, the London Public Sector Counter Fraud Partnership and others, we will be capturing data that will help you to assess how your counter-fraud function compares to the wider public sector.

We benchmark data on the following key areas:

- the structure of counter-fraud within your organisation
- costs and income generated by the function
- staffing numbers and levels of training
- split of time across activities eg reactive detection, formal detection, pro-active
- numbers and type of cases eg entitlement, tax, procurement
- how your organisation calculates the value of fraud
- methods of prevention and checks undertaken
- recovery of losses and methods used.

The CIPFA Counter Fraud Centre is the UK's national centre of excellence on counter fraud. The Centre was launched in July 2014, and is hosted by CIPFA.

For further information visit:

www.cipfa.org/services/counter-fraud-centre

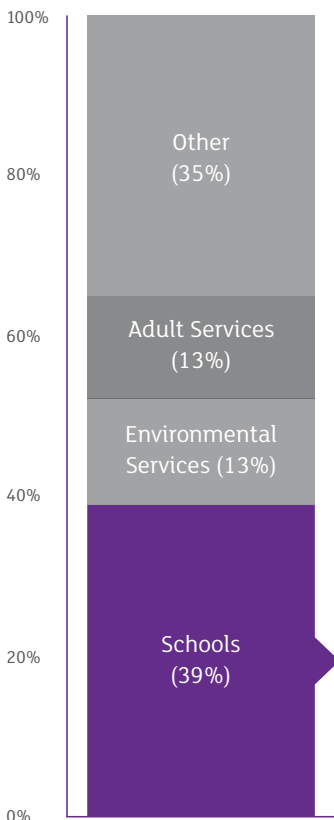
6 | Insurance

We collect and compare a broad range of information including:

- claims histories
- claims handling
- self funding
- tendering – processes and timeline
- insurance management information.

The types of policies covered include:

- combined liability
- employers liability
- public liability
- property
- motor
- terrorism cover
- non-Standard risks.



39%
of all insurance claims come from schools among club members.

Revenues and Benefits

7 | Council Tax

We collect processing costs and workload volumes.

This enables informed comparisons to be made between the average collection cost per banded dwelling and dwellings per FTE. Data is collected in the following areas:

- collection rates
- CTRS, personal and property discounts
- inspections
- reviews
- billing
- methods of payment
- recovery and enforcement
- customer contact.

Members can also compare their in-year collection rates in October.

8 | Non-Domestic Rates

We collect processing costs and workload volumes.

This enables informed comparisons to be made between the average collection cost per hereditament and hereditaments per FTE. Data is collected in the following areas:

- collection Rates
- reliefs: mandatory and discretionary
- inspections
- changes to valuation lists
- BIDS
- reviews
- billing
- methods of payment
- recovery and enforcement
- customer contact.

Members can also compare their in-year collection rates in October.

9 | Benefits Administration

We collect processing costs (both central and contact centres) and claims volumes. Direct costs are further analysed by function. This enables informed comparisons to be made of the processing cost per weighted caseload (weighted in line with the DWP subsidy formula) and caseload per FTE. Data is collected in the following areas:

- new claims and change events
- performance standards
- DHP
- LHA
- appeals
- overpayments
- fraud
- social fund
- customer contact.

10 | Debtors

We collect the transactional volumes and processing costs for all methods of invoicing and collection of the organisation's debts (excluding Council Tax, NDR and Benefits overpayment recovery where handled outside of the debtors function). This is further analysed by:

- type of debt eg residential care, sundry debtors etc
- collection performance
- aged debt
- methods of payment accepted
- recovery actions.

This enables informed comparisons to be made of the processing cost per invoice and the overall cost to an organisation of its debtor function. It also highlights differences of approach.

Staff

11 | HR

HR can cover a multitude of activities. We collect staffing (central and local) and cost data for the following defined activities:

- recruitment and selection
- learning/training and development
- organisational development and change management
- pay and reward management
- attendance management
- employee and industrial relations
- equalities/diversity.

We collect various organisational statistics:

- employee numbers: full-time/part-time/zero hours by head count and FTE
- employee contracts: permanent/fixed term/zero hours by number of contracts and FTE
- agency costs/total pay bill
- sickness absence
- self-service.

We then compare the HR cost per Employee FTE/ Head count/Contract.

We also separately collect and compare costs for Health and Safety and for Occupational Health and Welfare.



12 | Payroll

We collect the transactional volumes and processing costs for payment of salaries, wages and pensions for the organisation. This is further analysed by:

- input: whether positive or negative
- frequency and number of payrolls
- payment performance
- methods of payment used
- self-service
- salary sacrifice schemes.

This enables informed benchmarking of the processing cost per payslip and per payee; the overall cost to an organisation of its payroll function and also highlights differences of approach.

13 | Pensions Administration

We collect the transactional volumes and processing costs for administering the LGPS using the SF3 definitions. Costs are further analysed by function.

Note: “employing authority work” and any work associated with the administration of non-LGPS pensions are excluded.

Data is collected in the following areas:

- membership analysis
- employer analysis
- change events – member and employer
- quotations and charges
- communications
- tracing agencies
- self-service.

This enables informed benchmarking of the net cost per member, payroll cost per pensioner and number of members per admin FTE. It also highlights differences of approach.

Legal and Democratic

14 | Legal Services

We collect staffing (central and local) and cost data for the legal services function in order to derive the number of and cost per hour for hours available, and the number of and cost per hour for charged hours.

Data is collected in the following areas:

- caseload by type of work
- care proceedings
- work for/by other local authorities
- work for other bodies
- charging rates
- staff composition.

We then compare the legal cost and FTE per 1,000 population of the authority and per £1,000 gross revenue turnover for the authority.

15 | Democratic Services

We collect staffing, cost and activity data for the following defined activities:

- committee support
- schools appeals
- member support
- civic mayor’s (or equivalent) office
- overview and scrutiny.

We then compare activity together with reporting costs as £1,000 per 1,000 population or per member as appropriate.

Supplies

16 | Procurement

Effective and efficient procurement is one of the greatest challenges facing the public sector – authorities spend huge amounts of money with a wide range of suppliers, and obtaining value for money while achieving savings is paramount in the current climate of continued pressure on authorities' budgets.

This club supports the procurement function in two ways:

- Helping authorities to share data on a wide range of procurement topics and to network with colleagues in other authorities
- Examining where authorities have been successful in making savings – which helps other authorities to target their procurement activity on similar areas to achieve similar savings.

Data is collected in the following areas:

- examination of organisational expenditure with third parties
- the remit of the procurement function
- use of technology
- measuring savings and targets
- size, structure and cost of procurement function
- collaborative procurement
- sourcing strategy
- contract management.

17 | Creditors

We collect the transactional volumes and processing costs for all methods of processing and payment of the organisation's creditors (excluding refunds of Council Tax and NDR, and payments of Benefits where handled outside of the creditors function).

This is further analysed by:

- source of invoices eg consolidated, feeder system etc
- services using feeder systems
- purchase orders
- methods of payment used
- payment performance.

This enables informed comparisons to be made of the processing cost per invoice and the overall cost to an organisation of its creditor function. It also highlights differences of approach.



60%

increase in gross cost of collecting Council Tax.

We also do...

As well as Corporate Services Benchmarking we offer the following:

Social Care

Meaningful comparative data is difficult to find in social care. CIPFA's social care benchmarking clubs help authorities share data in a non-judgemental environment.

We offer clubs in:

- children's care
- adult care
- public health.

Fees and Charges

This service has been specifically designed for anyone in a local authority with responsibility for informing charging policy. Whether you are a chief executive, chief financial officer, responsible for business transformation, or a service manager, Fees and Charges Benchmarking offers you a unique means of:

- understanding your charges in relation to your peers
- learning from changing practices and strategies elsewhere
- comparing charges with that of your peers and best practice, and
- identifying where there is scope to change your charging policy and strategy.

VfM Indicators

Value for Money (VfM) Indicators are the leading benchmarking tool for assessing value for money in the public sector. HM Treasury specifically recommends collecting and reporting against indicators for organisations with more than 250 employees.

VfM Indicators have the widest coverage of back-office functions, which are under scrutiny in many parts of the public sector at present.

You can assess performance of finance, human resources, information and communication technology, estate management, procurement, legal functions and communications.

www.cipfa.org/benchmarking



common approach for most clubs

To see what is actually covered in a specific club, please go to our webpages at www.cipfa.org/benchmarking to see last year's club questionnaires and examples of reports sent to club members.

Service Delivery

How the function is delivered in your organisation: in-house (centrally or locally), shared service, contracted out etc.

Overall Costs

The costs of function are analysed between direct costs, indirect costs, outsourced costs.

Staffing

FTE's, salary levels, qualifications, training, turnover, sickness levels.

IT Software systems

Software (inc. version) used for specific activities in each function.

Organisational Structures

Section structure: job title/grade/level, FTE numbers and salary levels.

Self-Service

Details of what self-service options may be available for a function (both internally and externally).

Suppliers

Each function may use external suppliers: specialist advice eg treasury management advisors; bought-in services eg resilience processing of benefit claims; specialist services eg Debt collection etc.

Productivity Measures

Workload per member of staff eg the ratio of employee FTE's per HR staff FTE.

Performance Measures

National and local KPI's where available eg BVPI8 re Invoices paid on time.

Scrapbook Questions

Covering current and emerging issues affecting each function – these are collated and distributed to members in a separate document.

corporate services benchmarking clubs 2017 timetable

Club	Questionnaire emailed	Questionnaire Return Deadline	Final PDF Report emailed
Treasury Management	March 2017	April 2017	June 2017
Human Resources	April 2017	May 2017	July 2017
Audit	April 2017	May 2017	July 2017
Creditors	April 2017	May 2017	July 2017
Debtors	April 2017	June 2017	July 2017
Council Tax	April 2017	June 2017	July 2017
NNDR	April 2017	June 2017	August 2017
Payroll	April 2017	June 2017	August 2017
Insurance	April 2017	June 2017	August 2017
Legal	May 2017	June 2017	August 2017
Pensions Administration	May 2017	July 2017	August 2017
Benefits Administration	May 2017	July 2017	September 2017
Accountancy	May 2017	July 2017	September 2017
Procurement	May 2017	July 2017	September 2017
Democratic Services	June 2017	July 2017	September 2017
Counter Fraud	June 2017	August 2017	October 2017
Risk Management	June 2017	September 2017	November 2017

This timetable is subject to variation.

Contact us

To confirm timetable dates, view example questionnaires and reports please visit our website: www.cipfa.org/corporateservices

For more information about how CIPFA Benchmarking can help your organisation or to sign up today contact:
E: customerliaison@cipfa.org T: +44 (0)20 7543 5600



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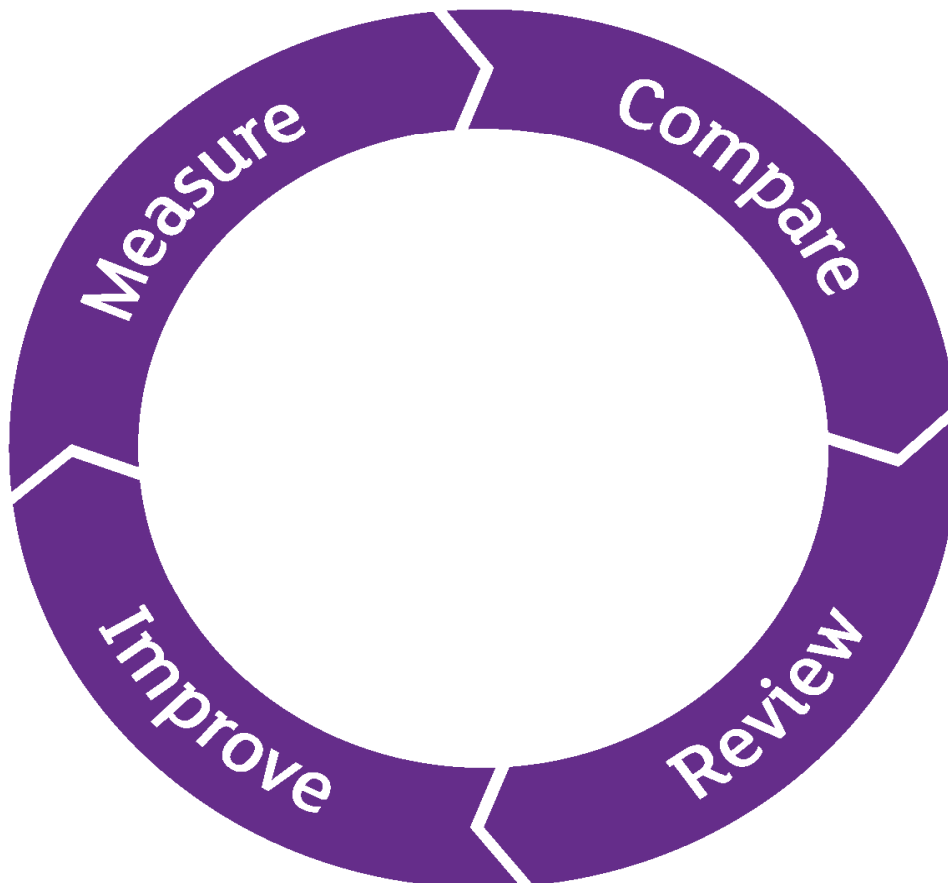
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Information Services

pensions administration benchmarking club

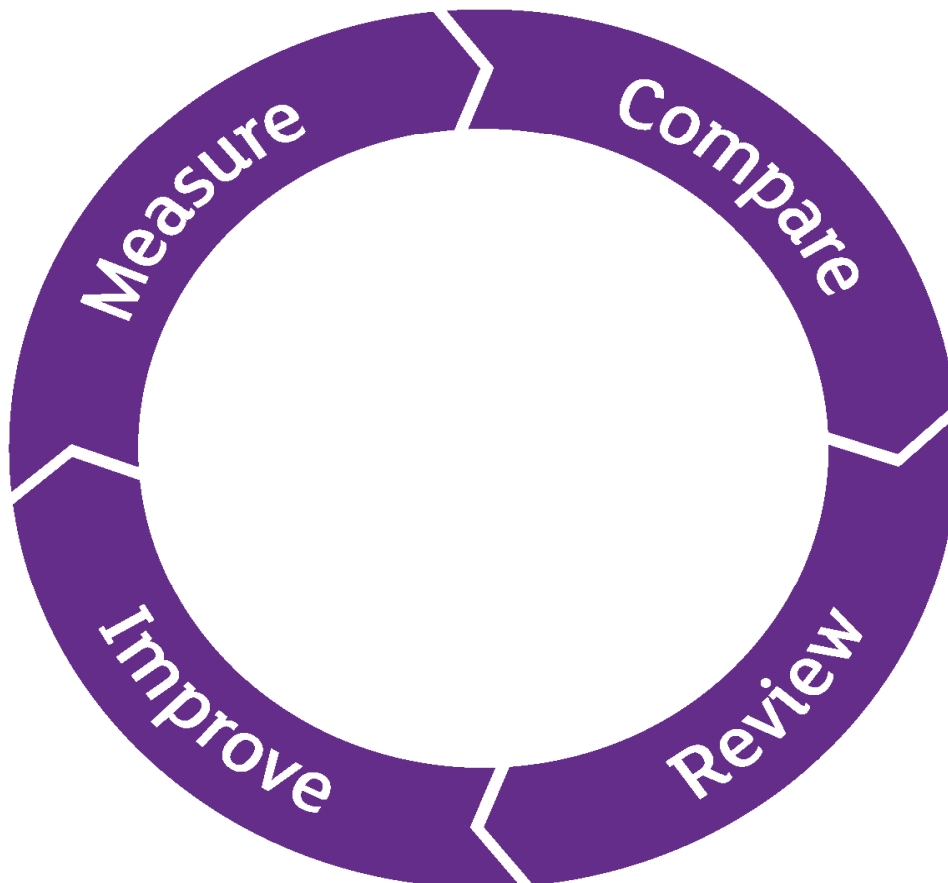
2016 - Buckinghamshire Draft Report



Information Services

pensions administration benchmarking club

2016 - Buckinghamshire Comparator Report



PREFACE

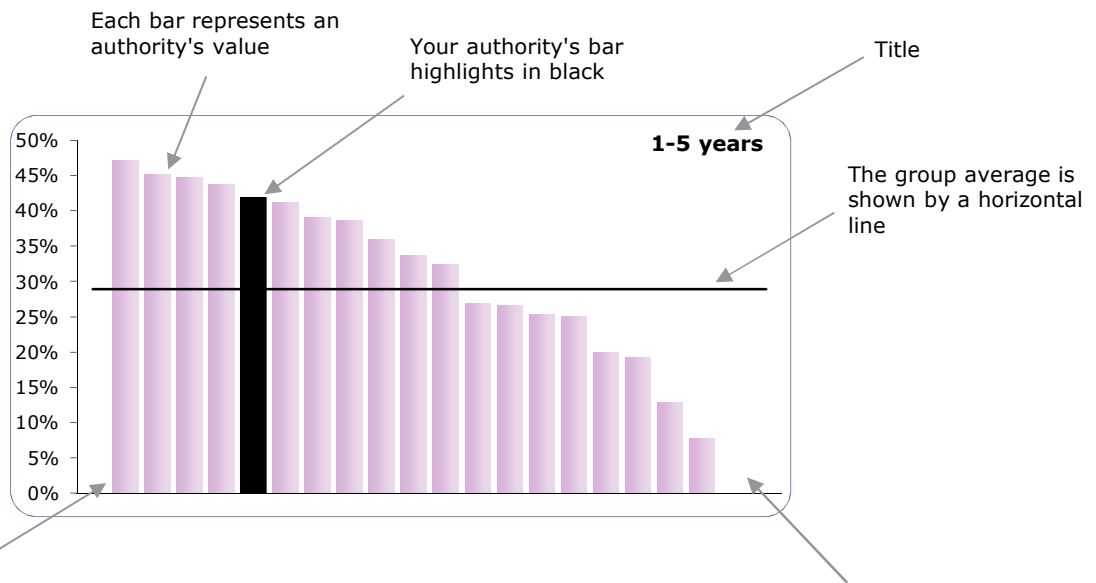
This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts: These are our standard method of displaying a full set of data



'Missing bars' on the left represent missing data or excluded data and are not included in calculating the average

Staff experience			
	FTE	%	Avg
< 1 year	1.5	10%	9%
1-5 years	6.5	42%	29%
5-10 years	3.5	23%	21%
> 10 yrs	4.0	26%	41%
Total	15.5		

'Missing bars' on the right represent zero values and are included in the average

INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

	Page
1 Summary 2016	5
2 Cost Measures	6
3 Workload Measures	11
4 Staff Related Measures	22
5 Industry Standard Performance Indicators	26
6 Comparison by method of service delivery } <i>final reports</i>	N/A
7 Timeseries } <i>final reports only</i>	N/A

Section 1 - Summary 2016

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income. Further analysis of direct costs and overheads is also provided in this section.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- AVCs, ARCs and Added years
- Appeals

Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, sickness absence, pensions work experience, staff qualifications and staff turnover.

Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

Section 6 - Comparison by Method of Service Delivery (final report only)

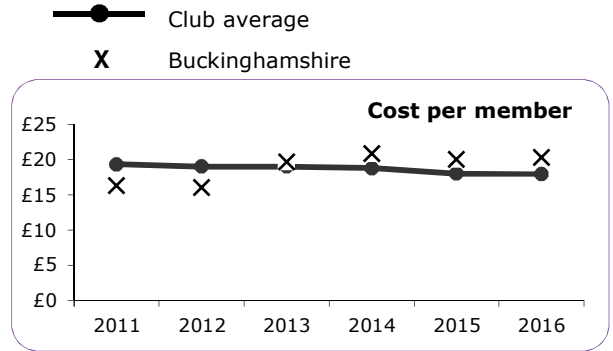
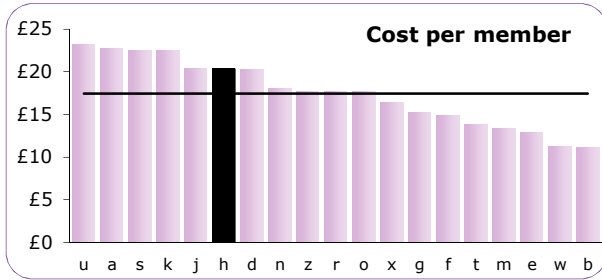
This shows members' costs and averages compared for in-house and externally managed pension schemes.

Section 7 -Timeseries (final report only)

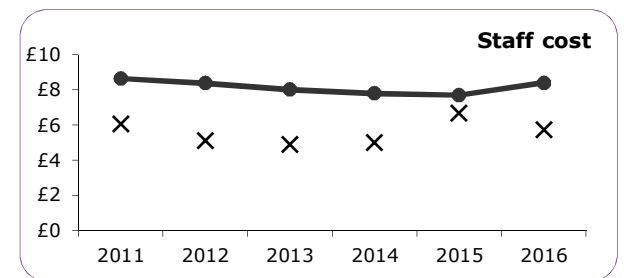
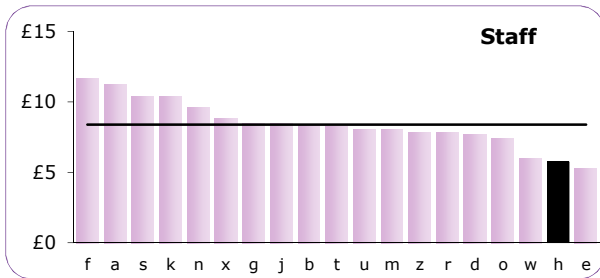
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

SECTION 1 - SUMMARY 2015/16

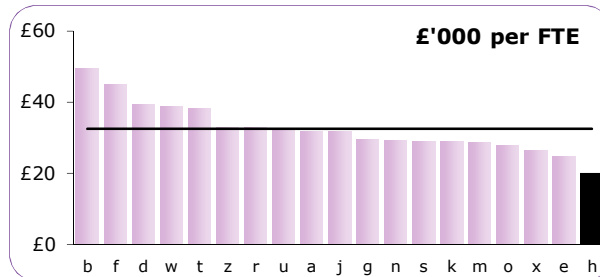
NET COST / MEMBER 2015/16



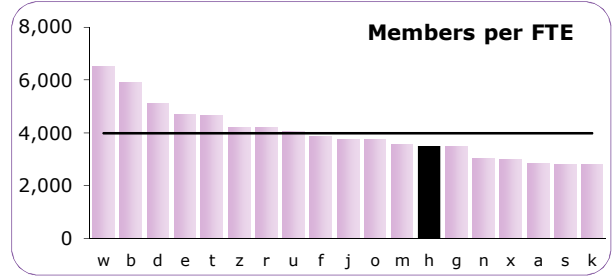
STAFF COST / MEMBER 2015/16



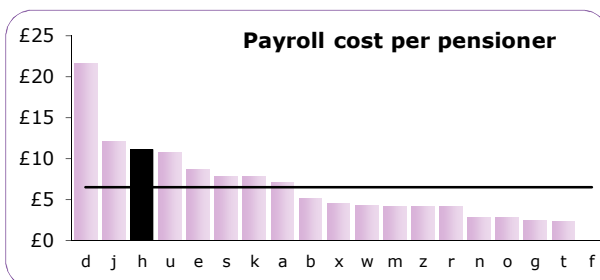
COST £'000 / FTE



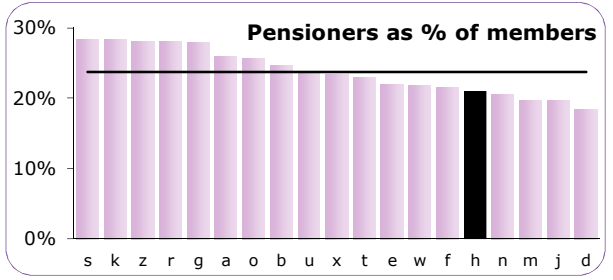
MEMBERS LGPS / ADMIN FTE



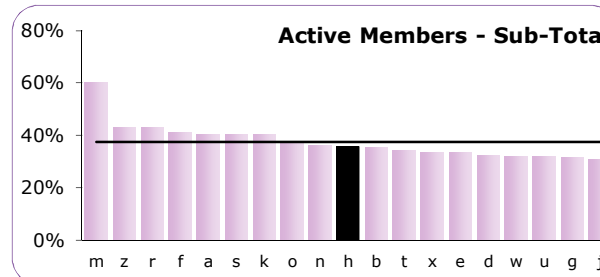
PAYROLL COST / PENSIONER



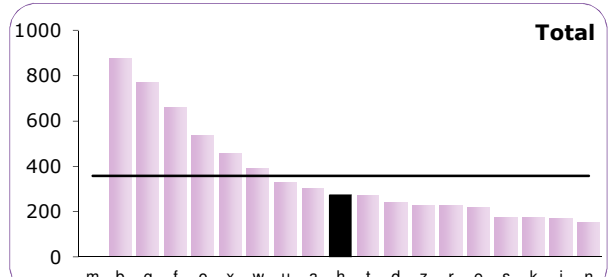
PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



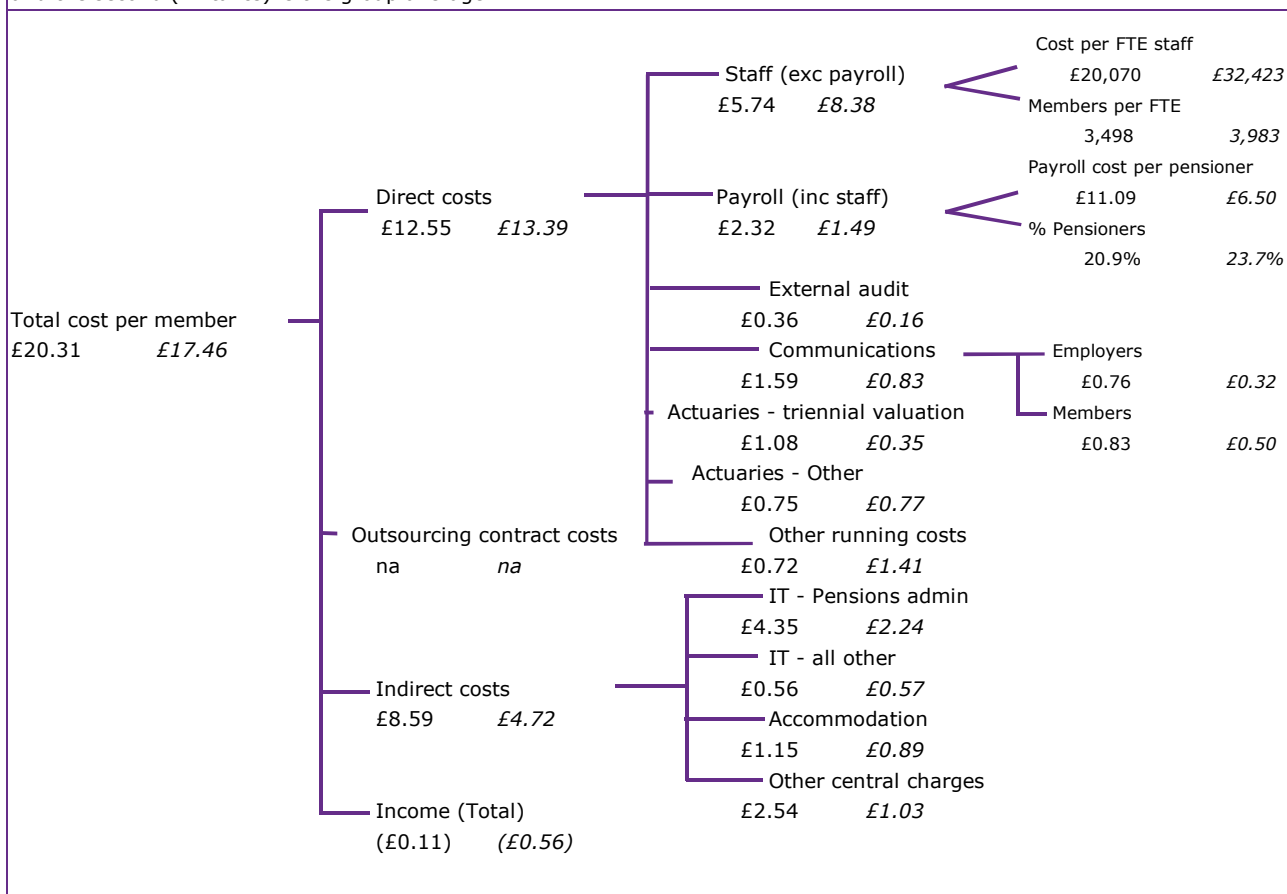
NUMBER OF LGPS EMPLOYERS



SECTION 2 - COST MEASURES

COST/MEMBER TREE 2015/16

This tree diagram analyses the cost per member. For each benchmark two figures are given the first being the authority's cost and the second (in italics) is the group average.



FTE staff	
Pension Section total	37.1
less	
IT staff	3.3
Payroll staff	1.8
Communications staff	6.7
Employing authority work	-
Work for other schemes	1.5
Other work	4.0
Admin of LGPS	19.9

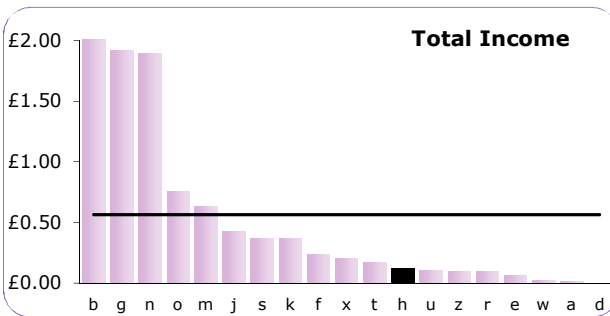
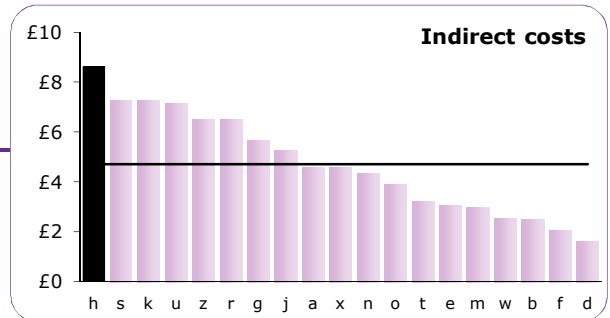
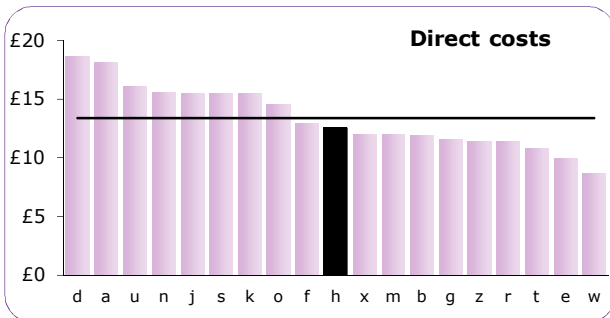
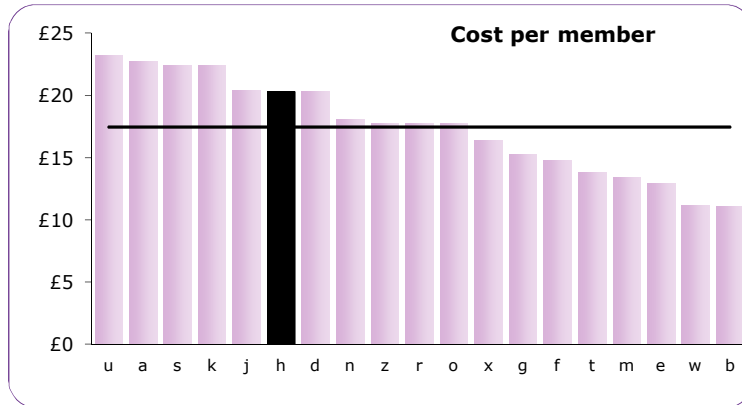
Net Costs £'000	
	£'000
Pension Section total	1,602
less	
Work for other schemes	52
Employing authority work	-
Other work	134
Admin of LGPS	1,416

Admin of LGPS costs	£'000	£ per member	Avg
Staff - administration	400	5.74	8.38
Staff - payroll	74	1.06	0.51
Payroll	88	1.26	0.97
Communications (Total)	111	1.59	0.83
Actuaries - triennial valuation	75	1.08	0.35
Actuaries - other	52	0.75	0.77
External audit	25	0.36	0.16
Other running costs	50	0.72	1.41
Total Direct Costs	875	12.55	13.39
Outsourcing costs	-	na	na
IT - Pensions admin	303	4.35	2.24
IT - All other	39	0.56	0.57
Accommodation	80	1.15	0.89
Other central charges	177	2.54	1.03
Total Indirect Costs	599	8.59	4.72
Gross Cost	1,424	20.43	18.02
Income - Members	(7)	(0.10)	(0.05)
Income - Employers	(1)	(0.01)	(0.17)
Income - Other	-	-	(0.34)
Total Income	(8)	(0.11)	(0.56)
Net Cost	1,416	20.31	17.46

Total Scheme Membership 69,714

*Outsourcing Contract Costs average only includes those members who have outsourcing costs.

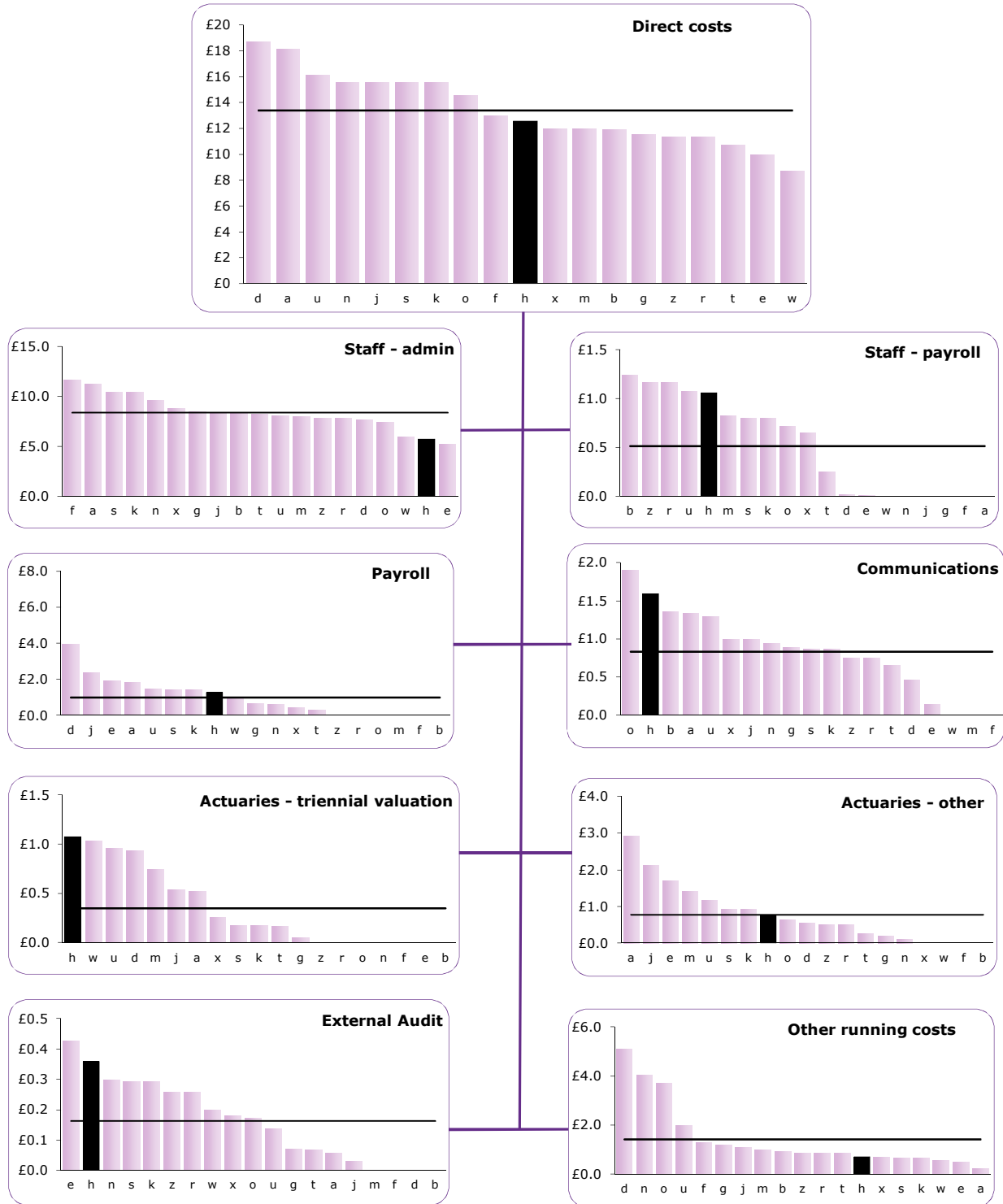
COST PER MEMBER 2015-16



Admin of LGPS costs		£ per member	Avg
	£'000		
Total Direct Costs	875	12.55	13.39
Outsourcing costs	-	na	na
Total Indirect Costs	599	8.59	4.72
Total Income	(8)	(0.11)	(0.56)
Net Cost	1,416	20.31	17.46

Total Scheme Membership	69,714
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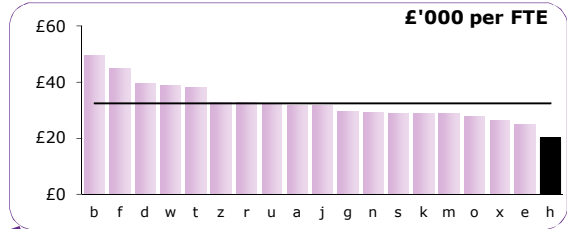
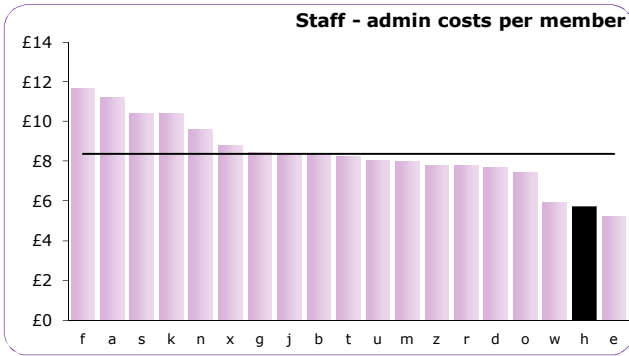
COSTS PER MEMBER - Direct costs 2015/16



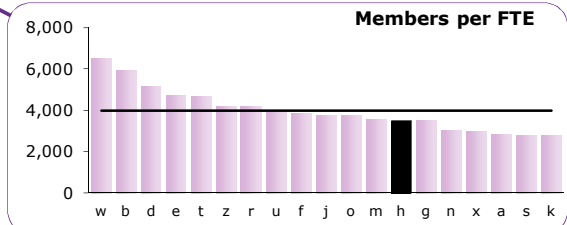
Direct costs	£'000	£ per member	Avg
Staff - admin	400	5.74	8.38
Staff - payroll	74	1.06	0.51
Payroll	88	1.26	0.97
Communications	111	1.59	0.83
Actuaries - triennial valuation	75	1.08	0.35
Actuaries - other	52	0.75	0.77
External audit	25	0.36	0.16
Other running costs	50	0.72	1.41
Total	875	12.55	13.39

DIRECT COSTS PER MEMBER - Staff and Payroll costs 2015/16

	£'000	£ per member	Avg
Staff - admin	400	5.74	8.38

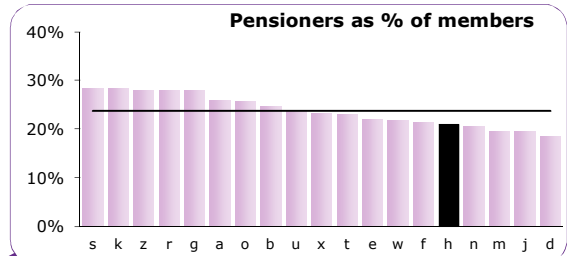
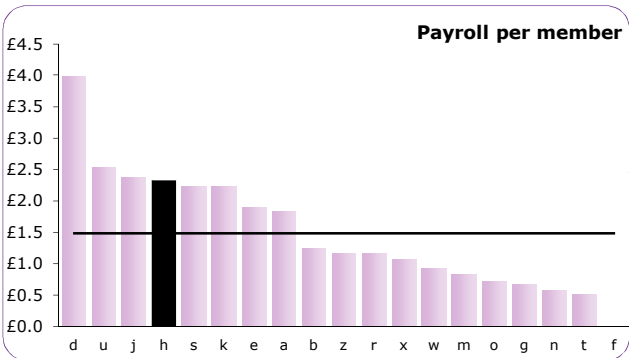


Buckinghamshire 20.1 Avg 32.4

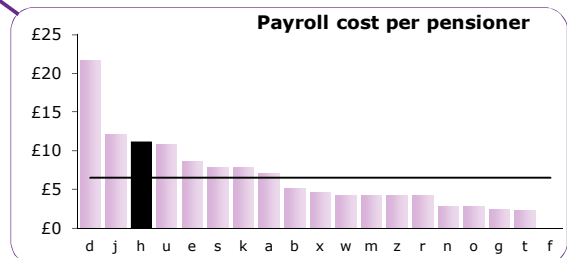


Buckinghamshire 3,498 Avg 3,983

	£'000	£ per member	Avg
Payroll (combined)	162	2.32	1.49

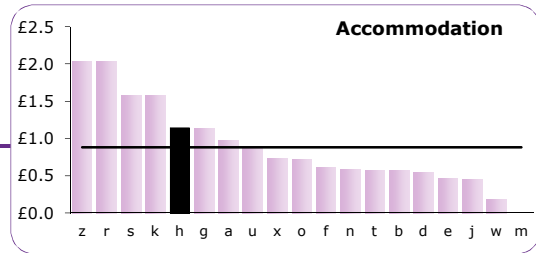
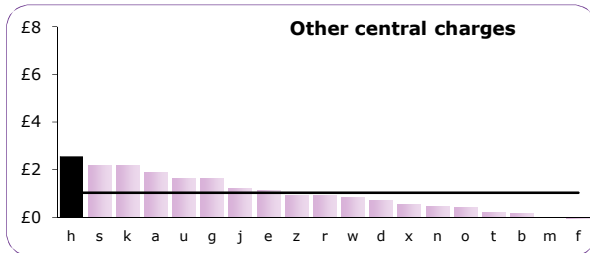
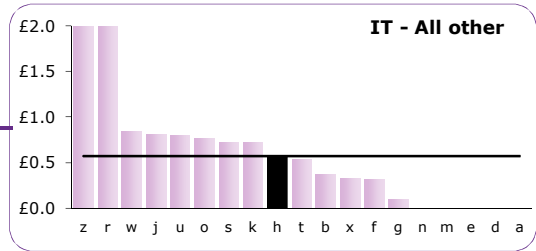
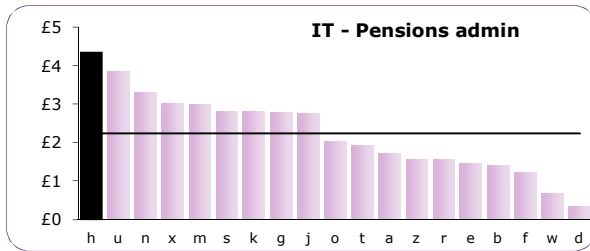
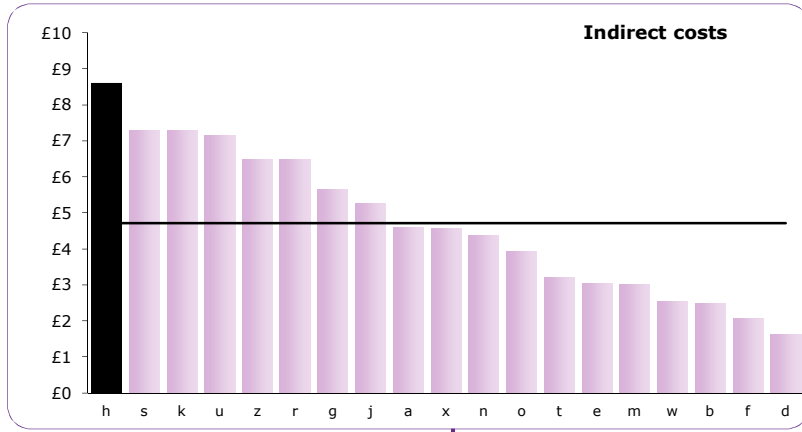


Buckinghamshire 21% Avg 24%



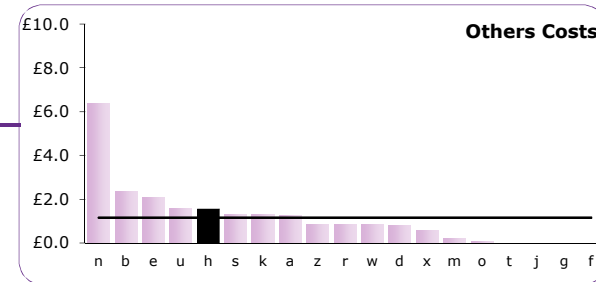
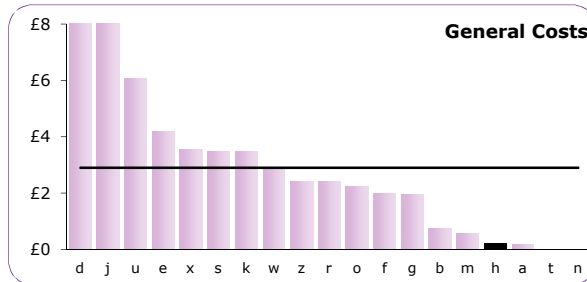
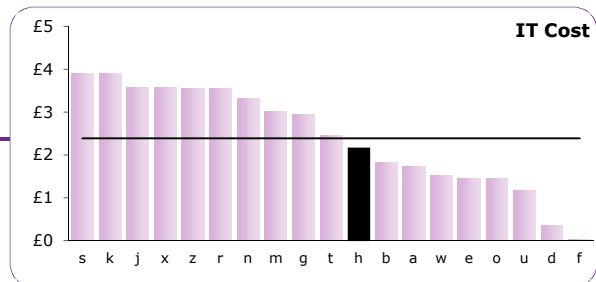
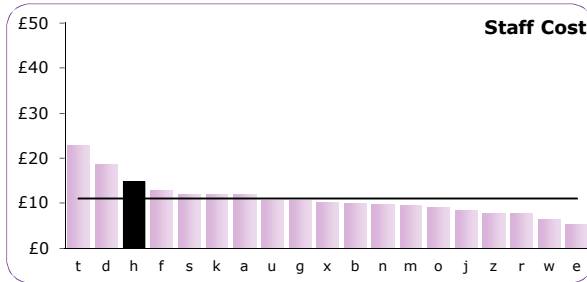
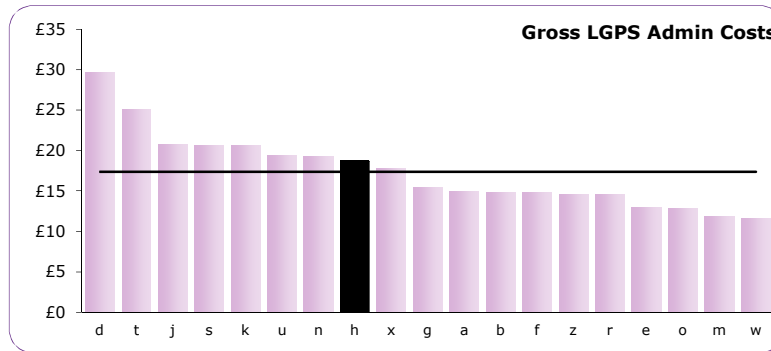
Buckinghamshire 11.1 Avg 6.5

COSTS PER MEMBER - Indirect costs 2015/16



Indirect costs	£ per member		
	£'000	£ per member	Avg
IT - Pensions admin	303	4.35	2.24
IT - All other	39	0.56	0.57
Accommodation	80	1.15	0.89
Other central charges	177	2.54	1.03
Total	599	8.59	4.72

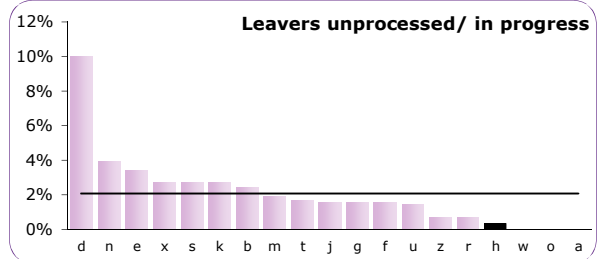
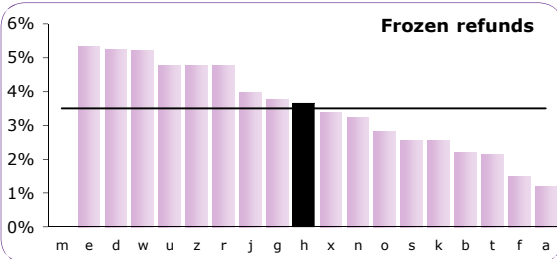
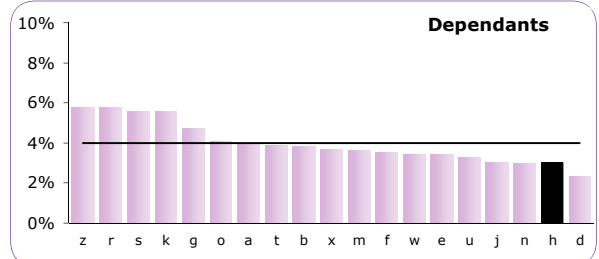
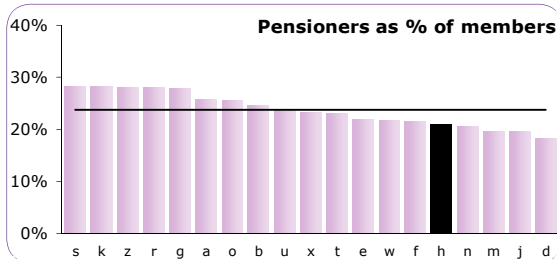
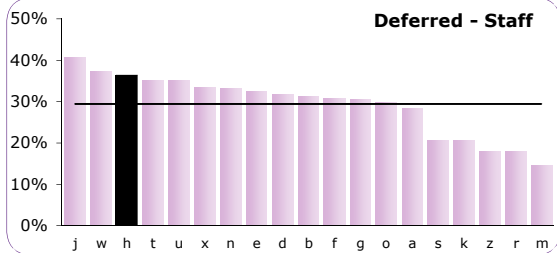
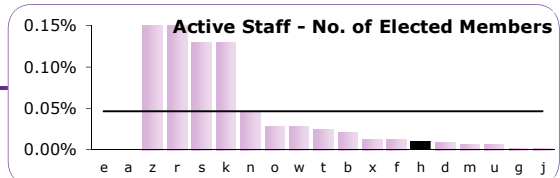
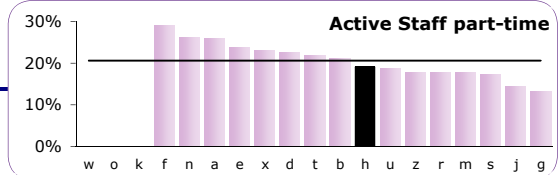
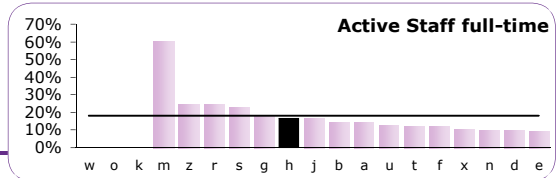
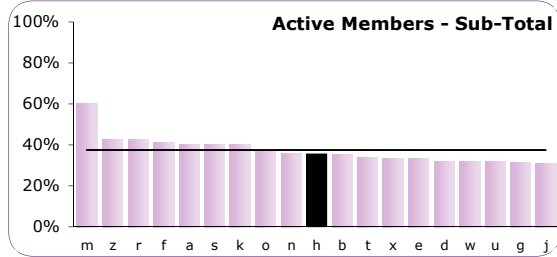
COSTS PER MEMBER - LGPS Administration Expenses Analysis 2015/16



LGPS Administration Expenses	£ per member		
	£'000	£ per member	Avg
Staff Costs	1,027	14.73	11.00
IT Costs	150	2.16	2.38
General Costs	15	0.22	2.90
Other Costs	108	1.55	1.15
Gross LGPS Admin Exp.	1,301	18.66	17.36
Gross LGPS Income	1	0.01	0.78
Net LGPS Admin Exp.	1,300	18.65	16.62

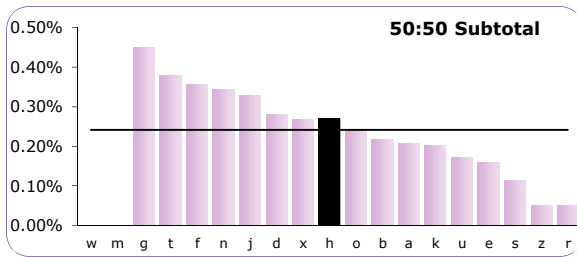
SECTION 3 - WORKLOAD MEASURES

COMPOSITION OF MEMBERS AS AT 31/3/2016



Composition of members				
	No.	%	Avg	Avg %
Active:				
- full-time	11,613	17%	31,799	18.1%
- part-time	13,300	19%	26,867	20.6%
- no. of elected Members	7	0.01%	64	0.05%
- sub-total	24,920	36%	54,970	37.5%
Deferred:				
- Staff	25,311	36%	42,661	29.4%
- Elected Members	10	0.0%	42	0.0%
Pensioners	14,605	21%	36,529	23.7%
Dependants	2,083	3.0%	6,218	4.0%
Frozen refunds	2,553	3.7%	4,854	3.5%
Leavers unprocessed/ in progress	232	0.3%	2,494	2.1%
Total	69,714		147,767	

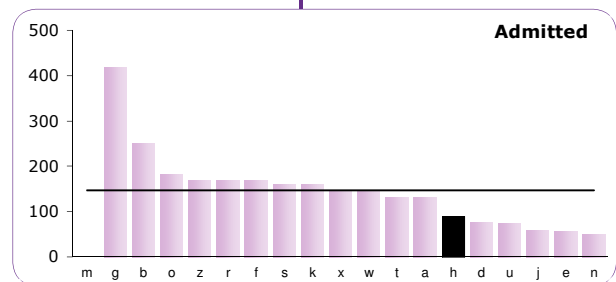
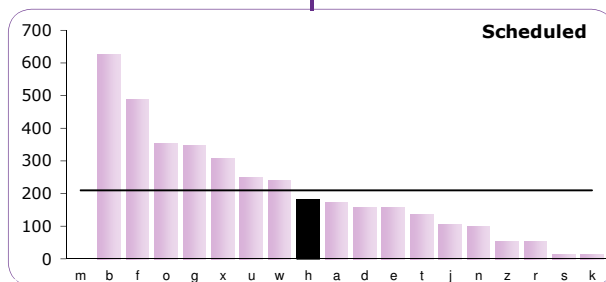
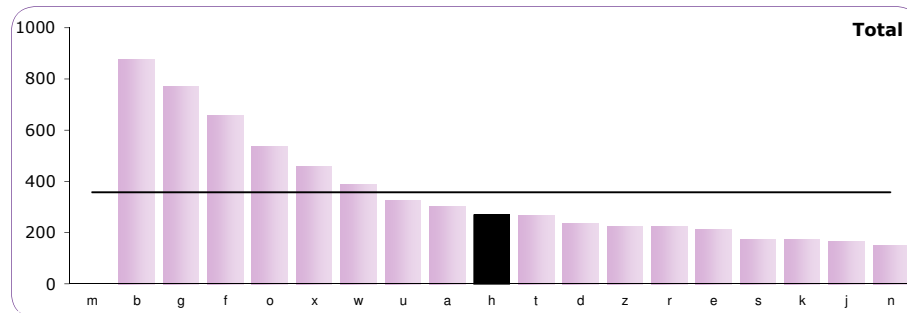
COMPOSITION OF MEMBERS AS AT 31/03/2016



Composition of active members

	No.	%	Avg
50:50	67	0.3%	0.2%

NUMBER OF LGPS EMPLOYERS AS AT 31/03/2016



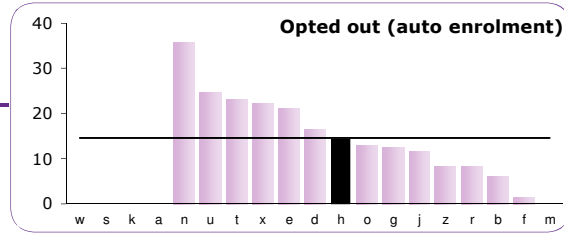
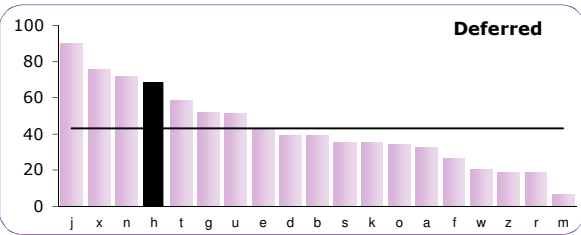
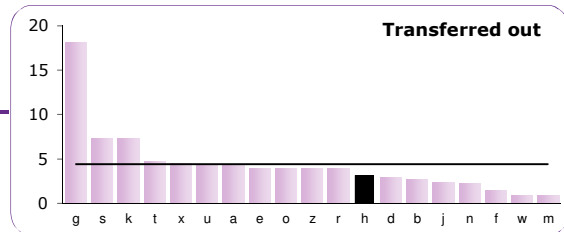
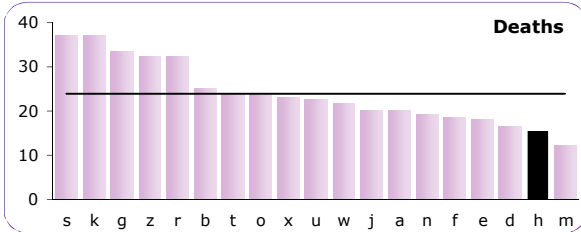
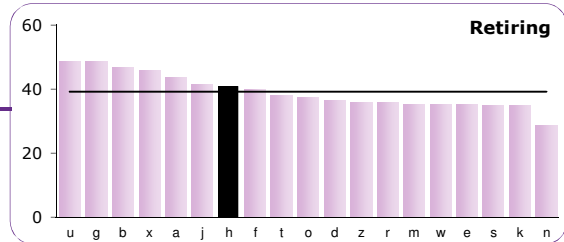
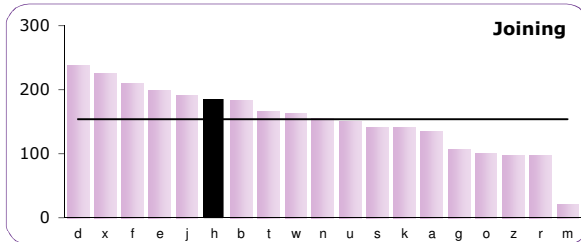
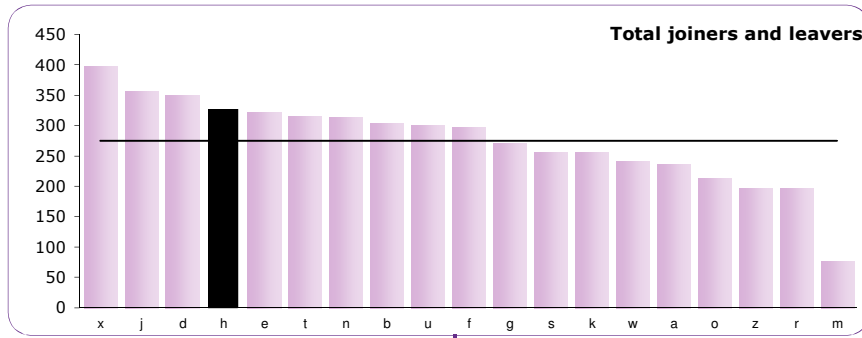
LGPS employers (31/3/16)

	No.	Avg	of which:	No.	%	Avg
Scheduled	183	210	Local Authorities	62	34%	10%
Admitted	90	147	Transferee	57	63%	41%
Total	273	357				

Employer changes 2015/16

	+/- Changes		Admitted		Leaving	
	No.	Avg	No.	Avg	No.	Avg
Scheduled	-	2	10	15	-	1
Admitted	-	1	12	13	-	24

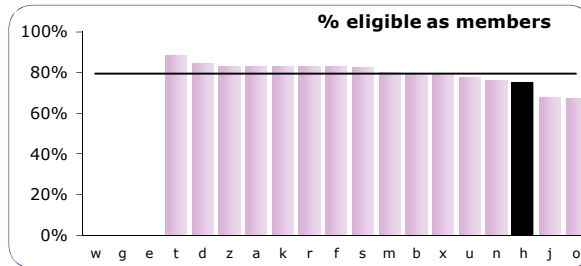
JOINERS & LEAVERS (per '000 active members)



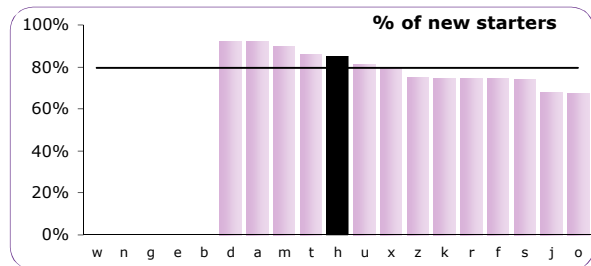
Joiners & leavers (per '000 active members)			
	No.	'000	Avg
Joining	4,614	185	153
Retiring	1,014	41	39
Deaths	384	15	24
Transferred out	78	3	4
Deferred	1,698	68	43
Opted out	357	14	15
Total	8,145	327	275

Active members	
	24,920

LGPS members as % eligible employees

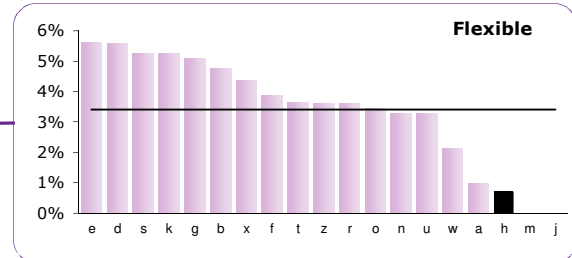
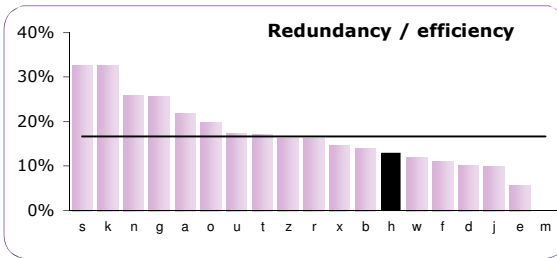
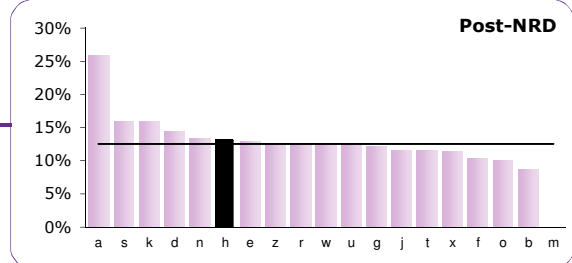
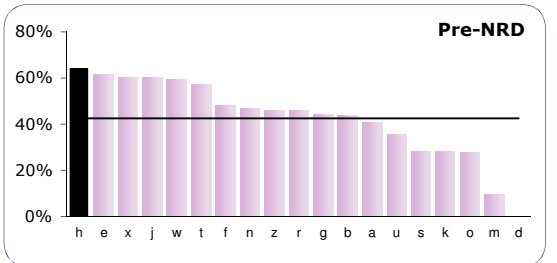
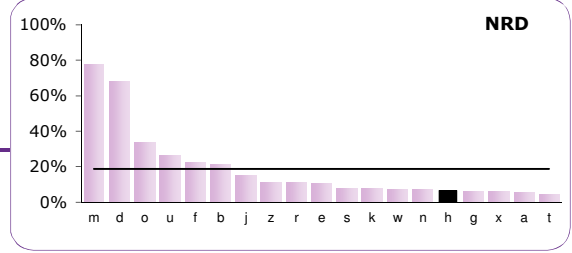
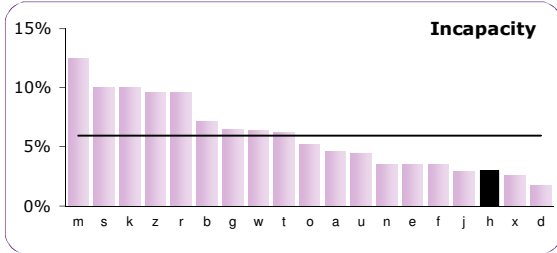
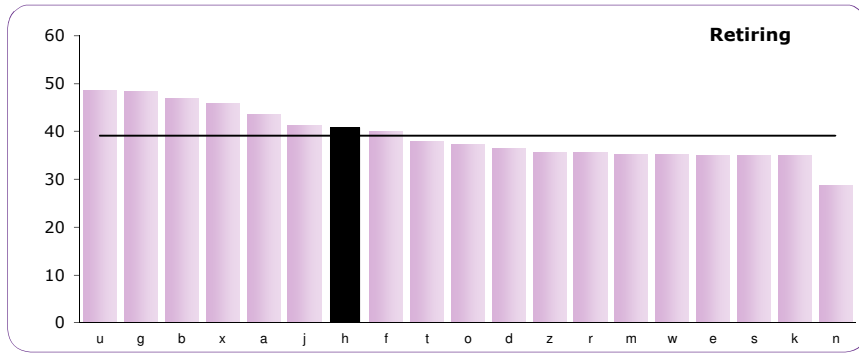


Buckinghamshire 75% Avg 80%



Buckinghamshire 85% Avg 80%

RETIRING (per '000 active members)

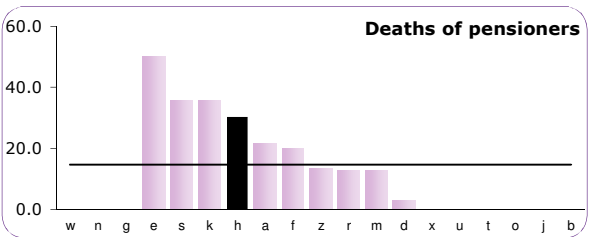
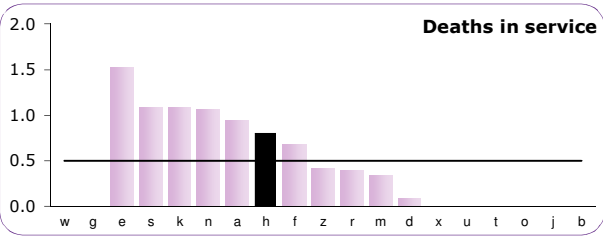
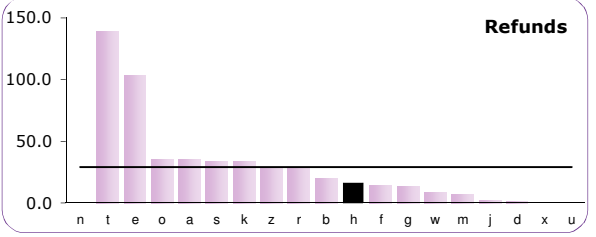
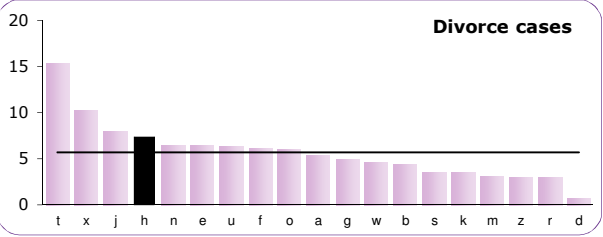
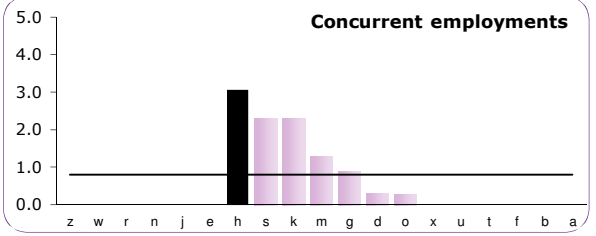
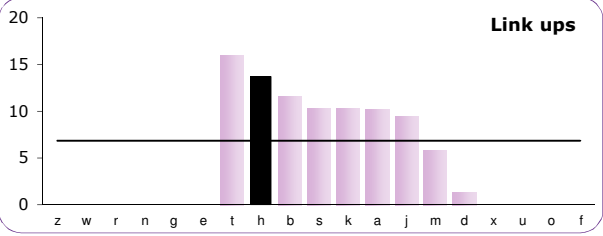
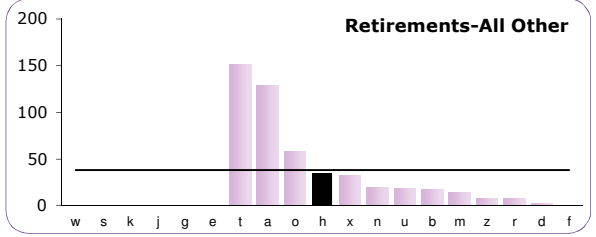
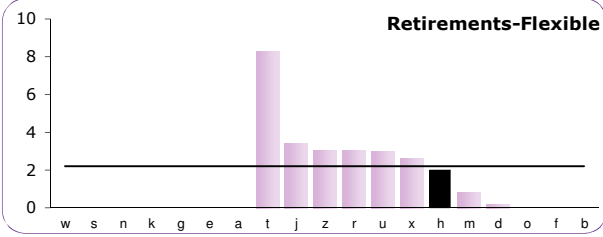
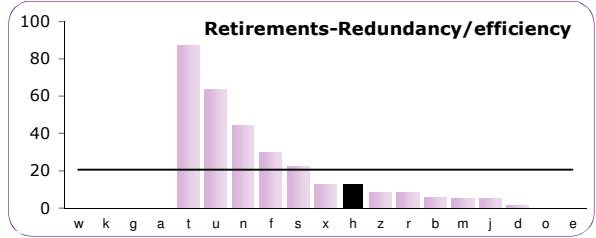
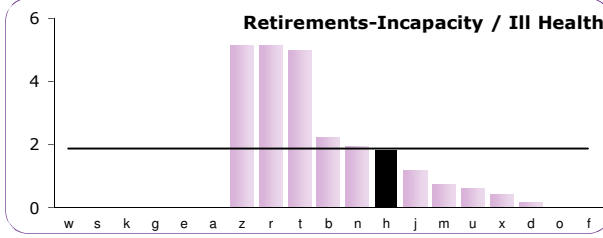
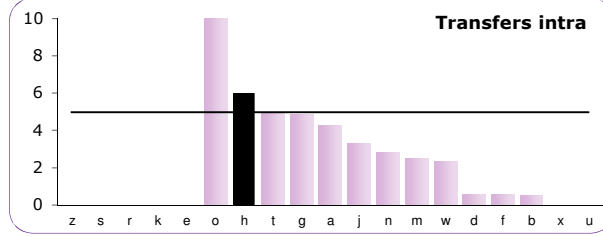
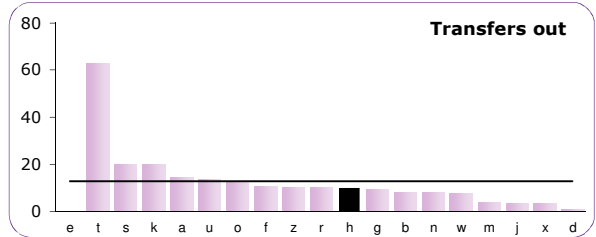
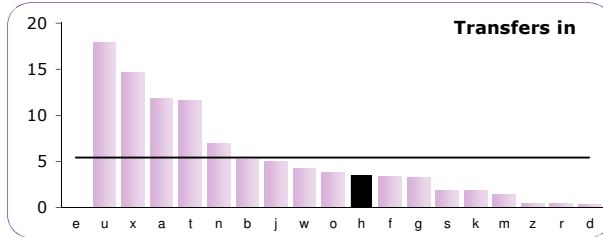


Retirements	No.	%	Avg
Incapacity	30	3%	6%
NRD	65	6%	19%
Pre-NRD	648	64%	42.6%
Post-NRD	133	13%	13%
Redundancy / efficiency	131	13%	17%
Flexible	7	0.7%	3.4%
Total	1,014		

Retiring (per '000 active members)			
	No.	'000	Avg
Retiring	1,014	41	39

Active members
24,920

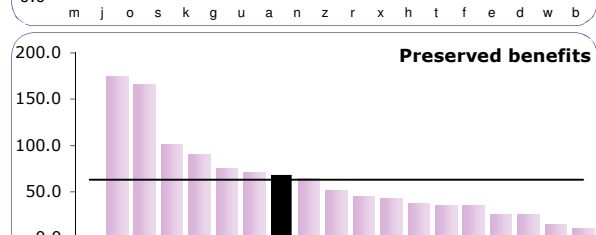
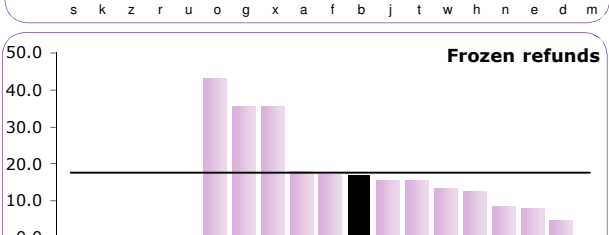
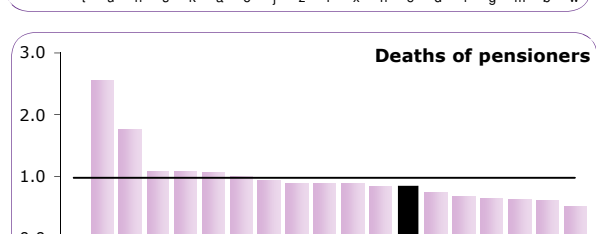
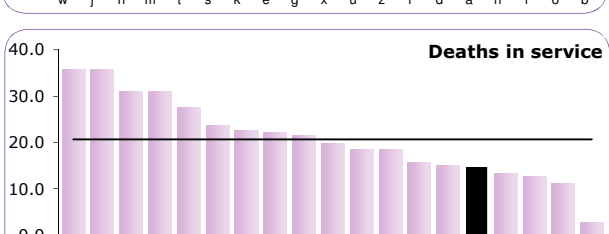
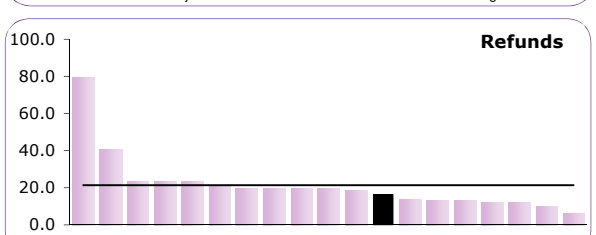
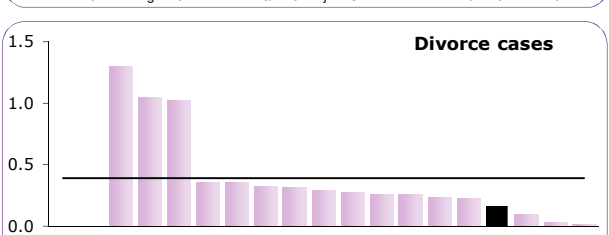
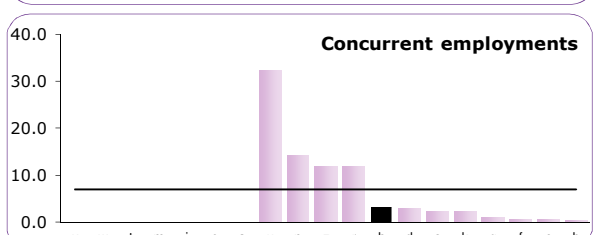
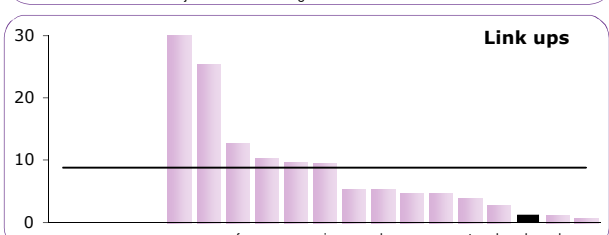
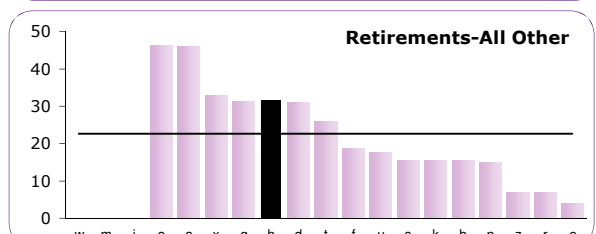
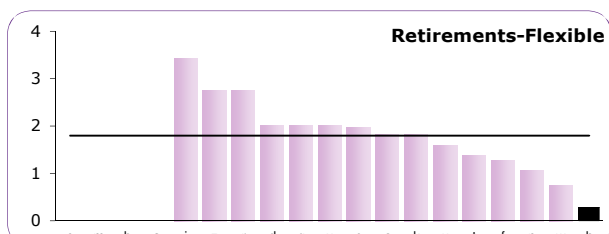
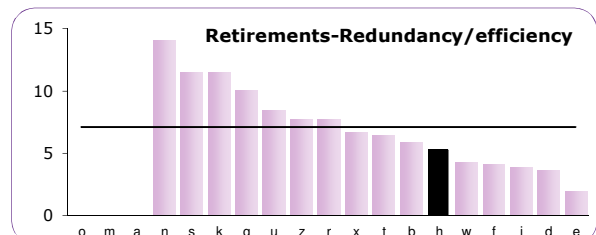
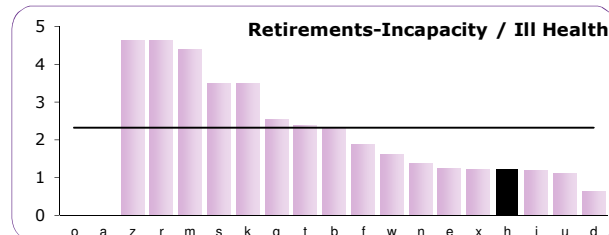
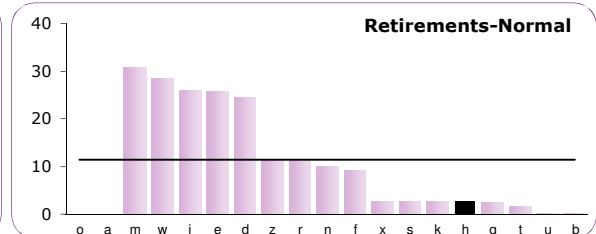
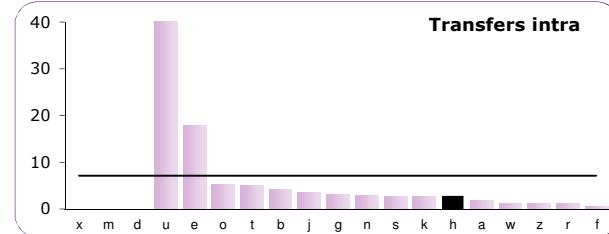
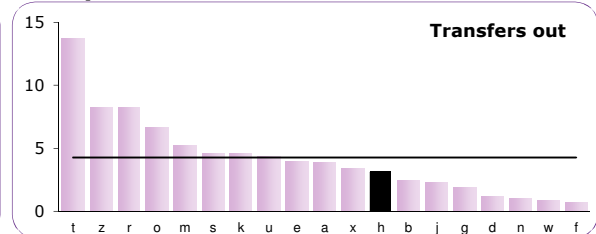
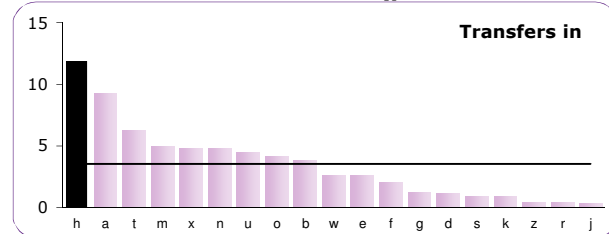
NUMBER OF QUOTATIONS PROVIDED (per '000 active members)



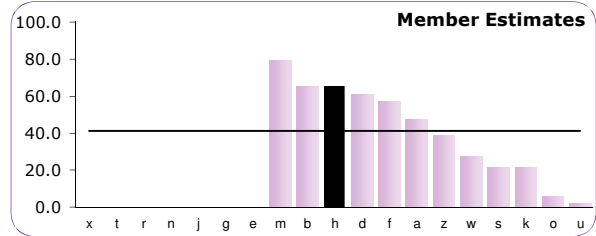
No of bulk transfers	No.	'000	Avg
TUPE -in	1	0	0
TUPE -out	5	0	0
TUPE -out	3	0	0

Active members: 24,920		No.	'000	Avg
Quotations provided				
TUPE -in		na	na	-
TUPE -out		na	na	-
Academies		na	na	-
Retirements:				
- Normal		138	6	10
- Incapacity/ill-health		45	2	2
- Redundancy/efficiency		313	13	21
- Flexible		50	2	2
- All other		840	34	38
Transfers in		85	3	5
Transfers out		246	10	13
Transfers intra		149	6	5
Link ups		342	14	7
Concurrent employments		76	3	1
Refunds		401	16	29
Divorce cases		183	7	6
Deaths in service		20	1	0
Deaths of pensioners		755	30	15

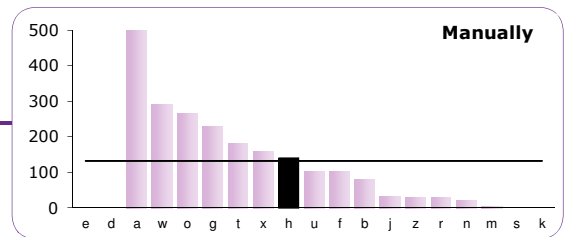
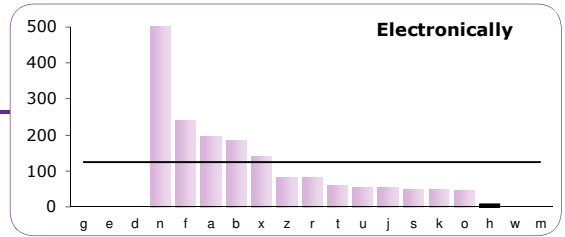
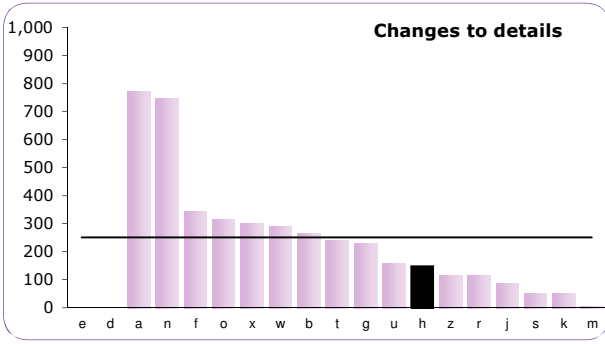
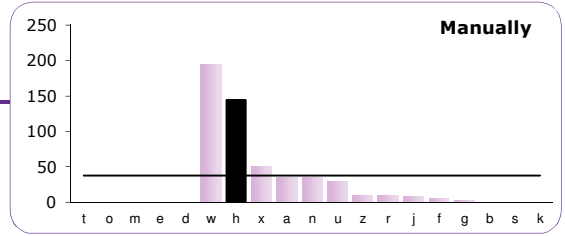
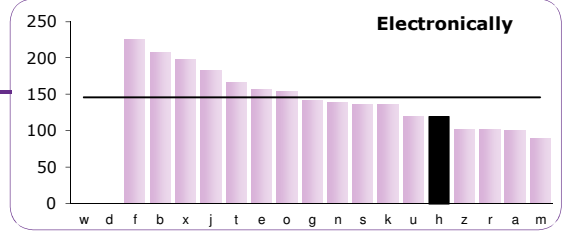
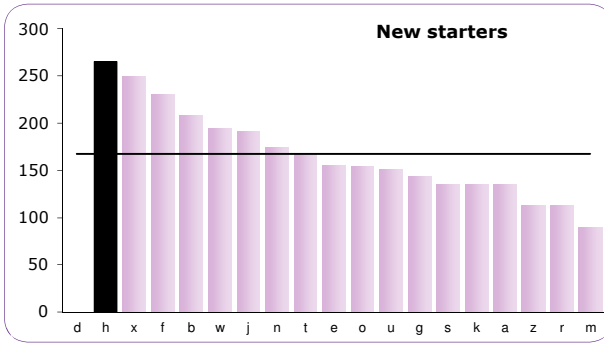
NUMBER OF ACTUAL EVENTS (per '000 active members)



Active members: 24,920			
Actual events	No.	'000	Avg
TUPE -in	-	na	0
TUPE -out	3	0	0
Academies	1	0	2
Retirements:			
- Normal	65	3	11
- Incapacity/ill-health	30	1	2
- Redundancy/efficiency	131	5	7
- Flexible	7	0.3	2
- All other	781	31	23
Transfers in	295	12	4
Transfers out	78	3	4
Transfers intra	66	3	7
Link ups	30	1	9
Concurrent employments	76	3	7
Refunds	403	16	22
Frozen refunds	420	16.9	18
Preserved benefits	1,698	68	63
Divorce cases	4	0	0
Deaths in service	363	14.6	21
Death of pensioners	21	1	1
Single Status / Job Evaluation	na	na	na
Members Estimates	1,622	65	41



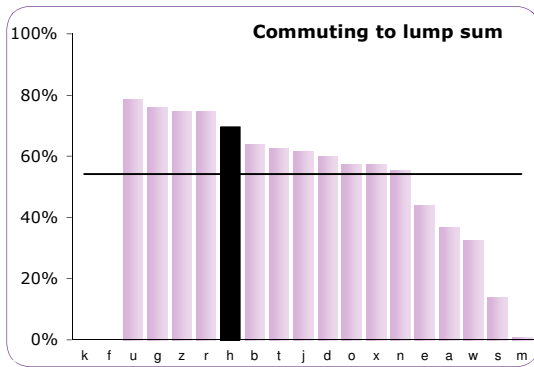
ACTUAL CALCULATIONS (per '000 active members)



RETIREMENTS

Active members
24,920

Retirements commuting to lump sum

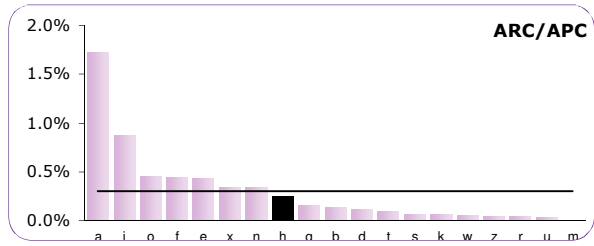
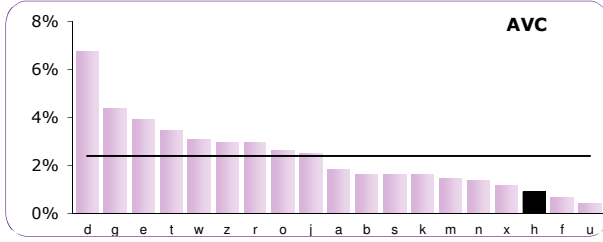


Actual calculations			
	No.	'000	Avg
New starters	4,614	265	167
- electronically	3,000	120	146
- manually	3,614	145	38
Changes to details	3,757	151	249
- electronically	233	9	124
- manually	3,524	141	133

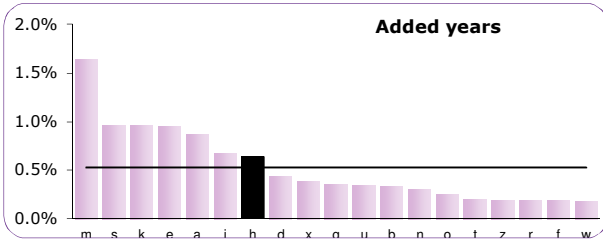
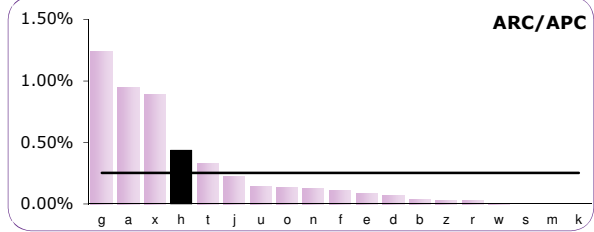
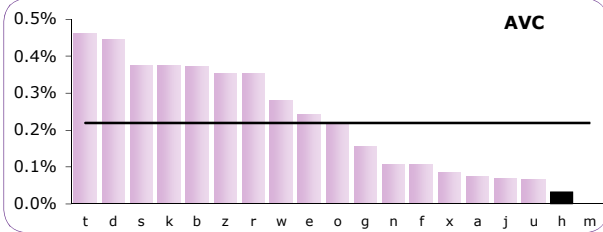
Retirements commuting lump sum		
Number	% total	Avg
707	70%	54%

AVCs, ARCs and Added years

% Currently contributing



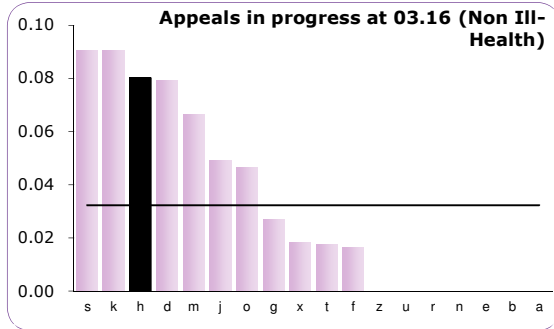
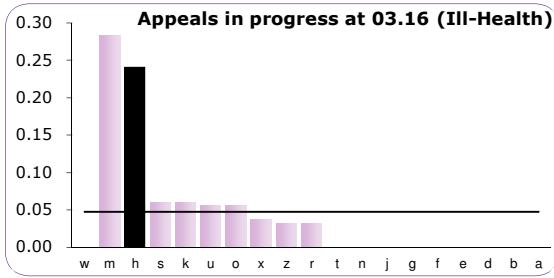
% New contributors this year



Contributors to AVCs and ARCS			
	No.	%	Avg
Currently contributing			
- AVC	227	0.91%	2.39%
- ARC/APC	63	0.25%	0.30%
- Added years	159	0.64%	0.53%
Total	449	1.80%	3.22%
New contributors this year			
- AVC	8	0.03%	0.22%
- ARC/APC	109	0.44%	0.25%
Total	117	0.47%	0.47%

Active members
24,920

APPEALS

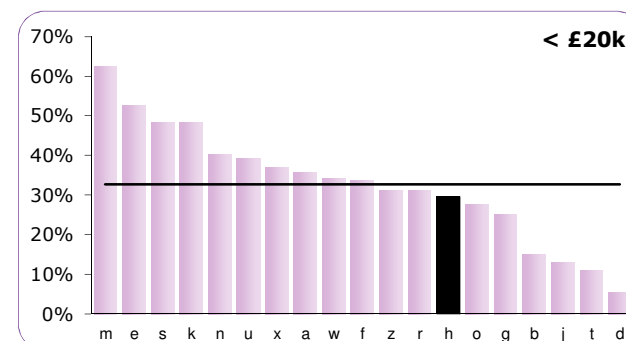
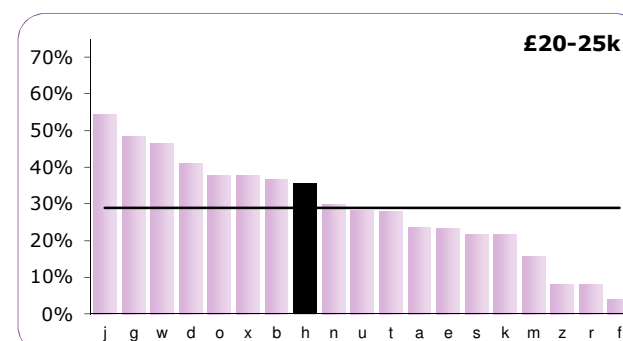
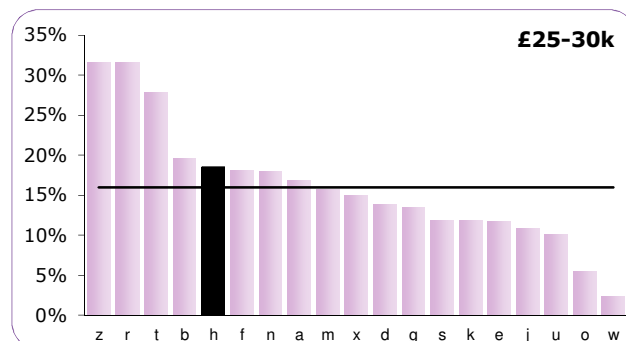
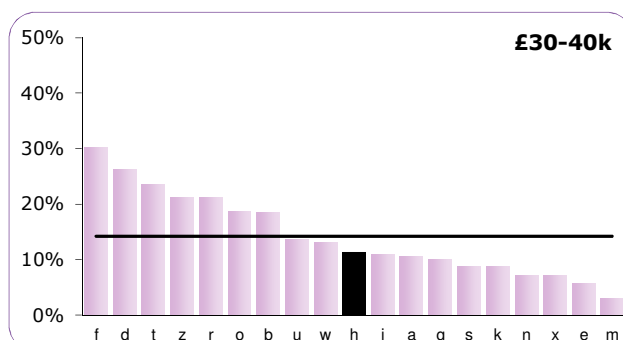
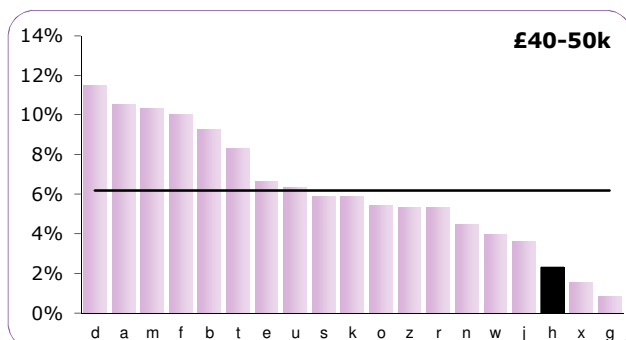
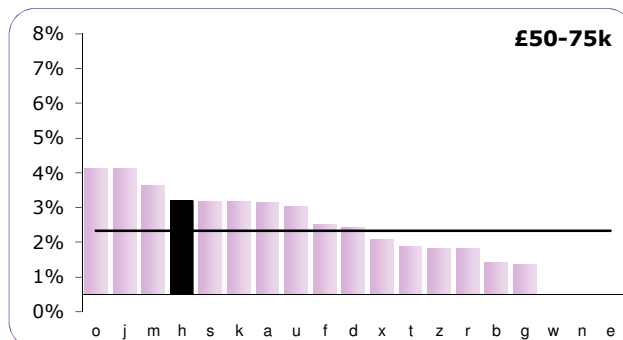
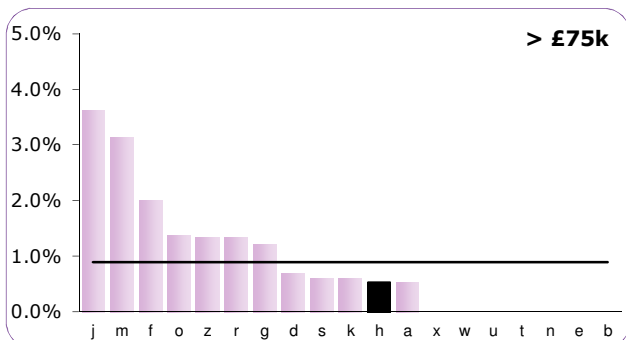


*Club total: This shows the total for all the Benchmarking Club members 2016

Number of appeals	No.	Per '000 members	Avg	Club* total
Ill-Health				
In progress at start of year	0	0.00	0.02	23
In progress at end of year	6	0.24	0.05	43
Non Ill-Health				
In progress at start of year	0	0.00	0.02	17
In progress at end of year	2	0.08	0.03	26
1st Stage				
Appeals in Progress - 03.15	0	0.00	0.03	21
New Appeals in Year	7	0.28	0.19	183
Appeals Withdrawn	0	0.00	0.01	9
Appeals Upheld	1	0.04	0.03	26
Appeals Not Upheld	6	0.24	0.15	151
Appeals in Progress - 03.16	0	0.00	0.03	18
2nd Stage				
Appeals in Progress - 03.15	0	0.00	0.01	7
New Appeals in Year	3	0.12	0.12	68
Appeals Withdrawn	0	0.00	0.00	3
Appeals Upheld	0	0.00	0.03	19
Appeals Not Upheld	2	0.08	0.05	50
Appeals in Progress - 03.16	1	0.04	0.01	(4)
Ombudsman Referrals				
Appeals in Progress - 03.15	0	0.00	0.00	2
New Appeals in Year	1	0.04	0.01	14
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.00	3
Appeals Not Upheld	0	0.00	0.01	5
Appeals in Progress - 03.16	1	0.04	0.01	4

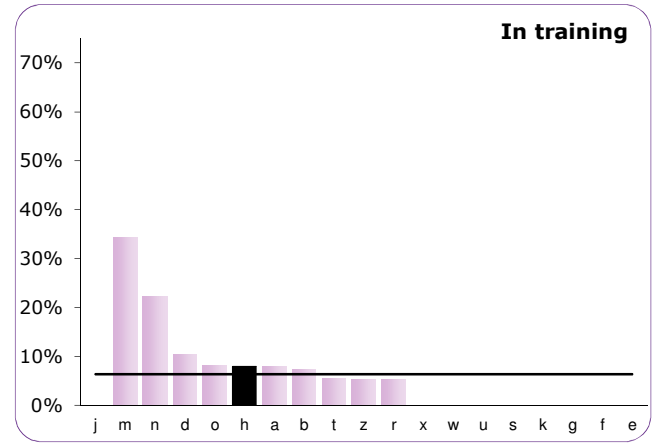
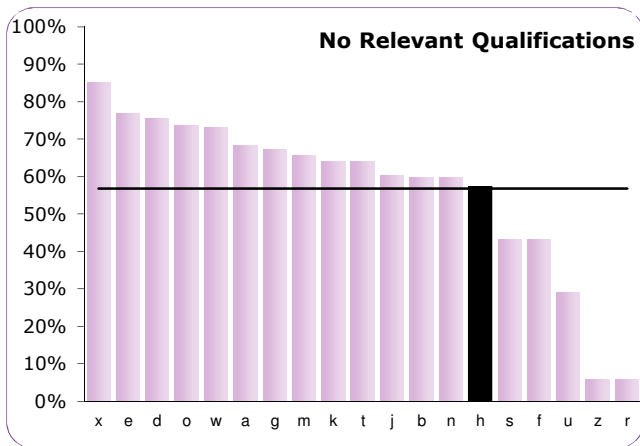
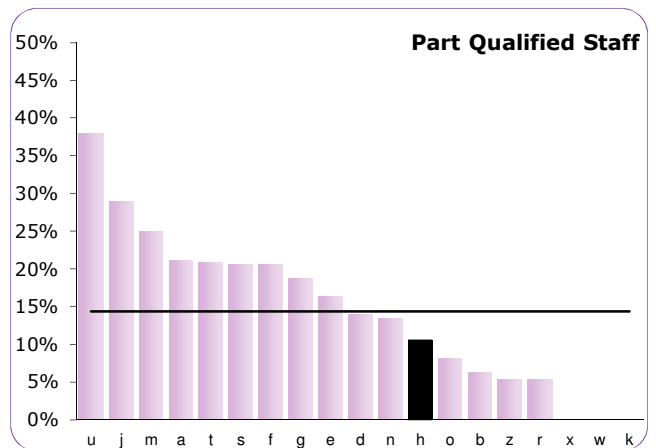
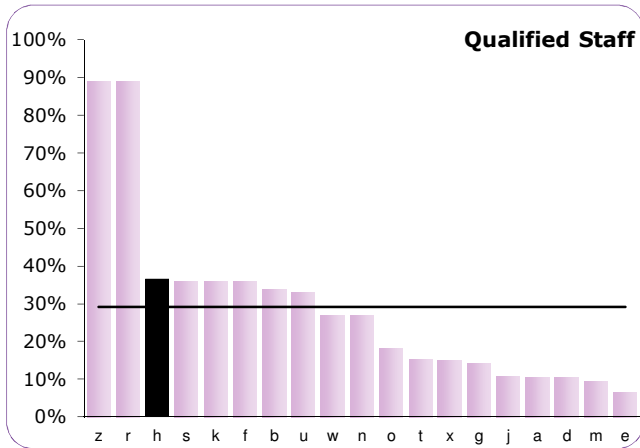
SECTION 4 - STAFF RELATED MEASURES

STAFF PAY



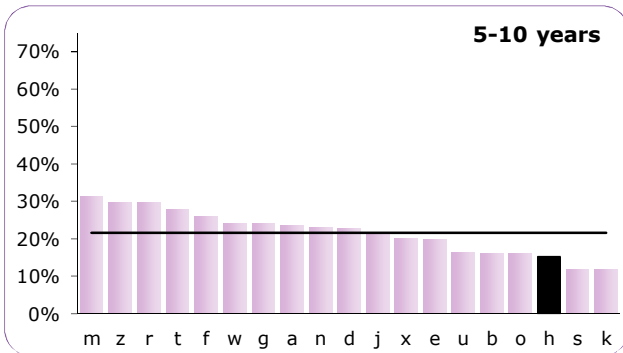
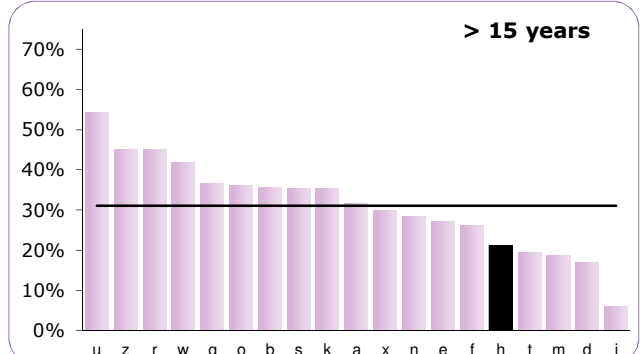
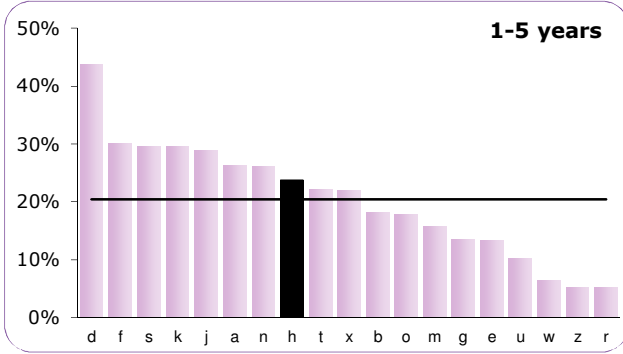
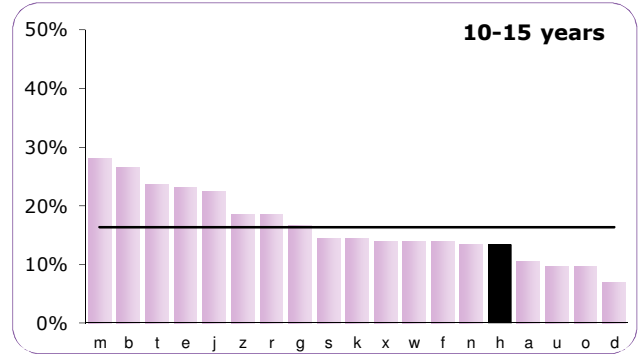
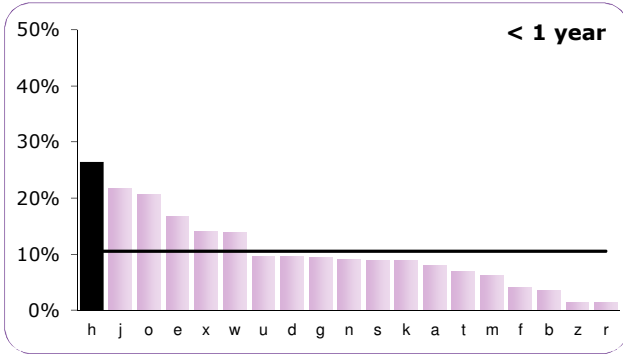
Staff pay	FTE	%	Avg
> £75k	0.2	1%	1%
£50-75k	1.0	3%	2%
£40-50k	0.9	2%	6%
£30-40k	4.2	11%	14%
£25-30k	6.9	19%	16%
£20-25k	13.2	36%	29%
< £20k	11.0	30%	33%
Total	37.2		

STAFF QUALIFICATIONS



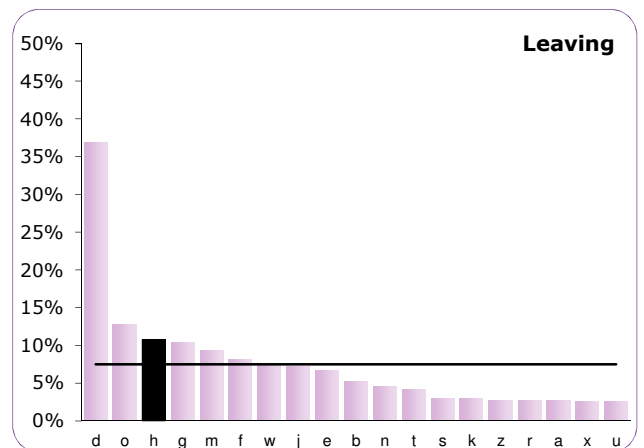
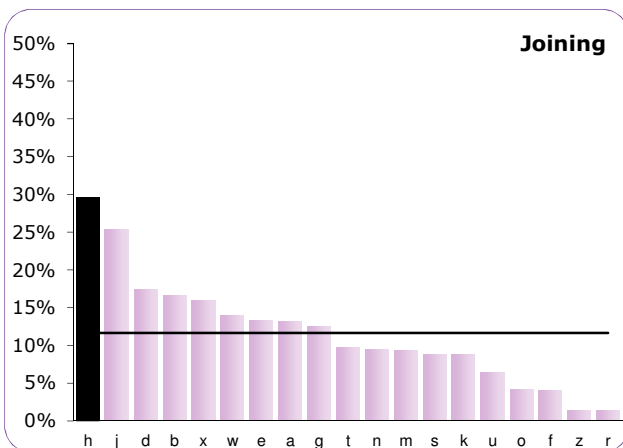
Staff qualifications			
	FTE	%	Avg
Qualified Staff	13.8	36%	29%
Part Qualified Staff	4.0	11%	14%
No Relevant Qualifications	21.7	57%	57%
Total	37.8		
Number in Training	3.0	8%	6%

STAFF PENSIONS EXPERIENCE



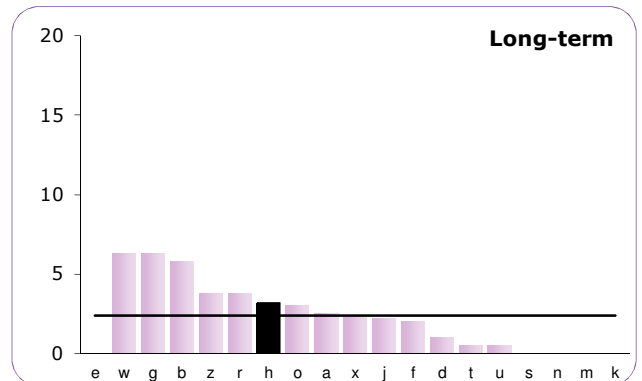
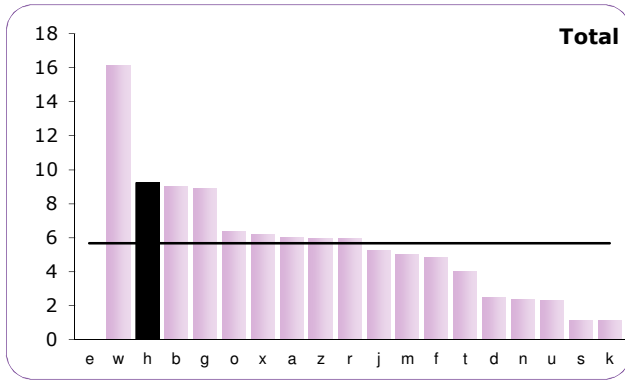
Staff experience			
	FTE	%	Avg
< 1 year	10.0	26%	11%
1-5 years	9.0	24%	20%
5-10 years	5.8	15%	22%
10-15 years	5.1	13%	16%
> 15 years	8.0	21%	31%
Total	37.8		

STAFF TURNOVER



Staff Turnover	FTE	% change	Avg
Staff at 1/4/2015	26.5		
+ Staff joining Pension section	11.0	29.6%	11.6%
- Staff leaving Pension section	4.0	10.8%	7.5%
Staff at 31/3/2016	37.5	41.5%	6.0%

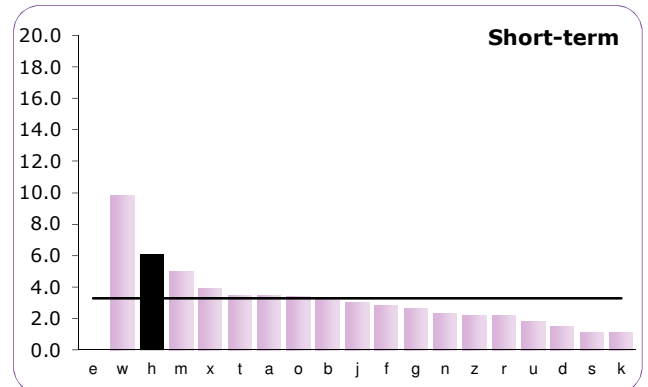
SICKNESS ABSENCE



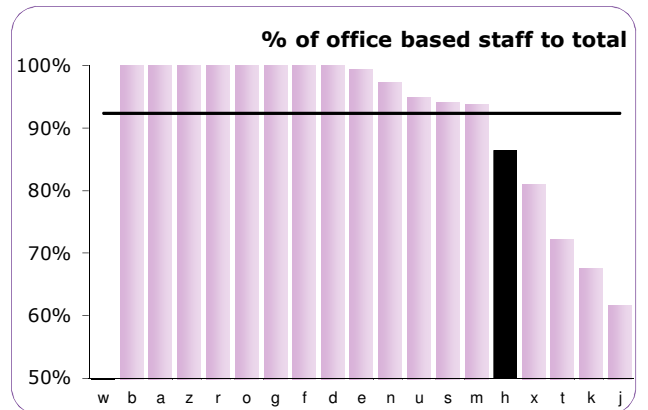
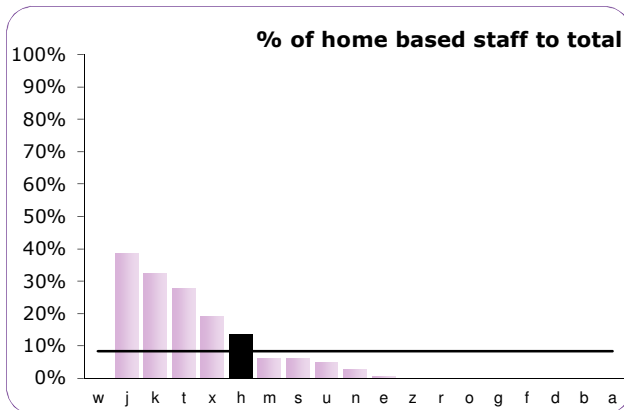
Sickness absence	Days/FTE	Avg
Long-term sickness	3.2	2.4
Short-term sickness	6.0	3.3
Total	9.2	5.7

Long-term sick (periods of sickness over 20 working days)

Short-term sick (periods of sickness of 20 days or less)



STAFF LOCATION

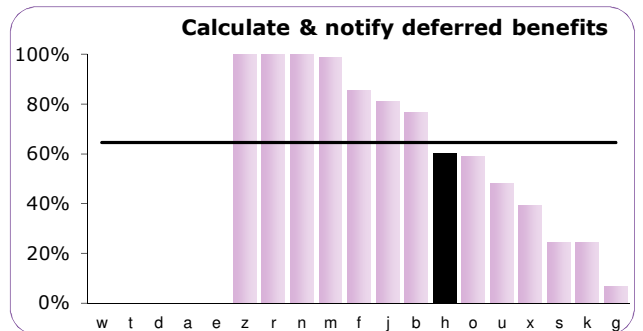
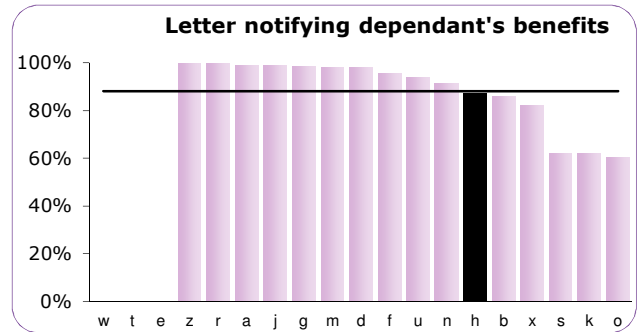
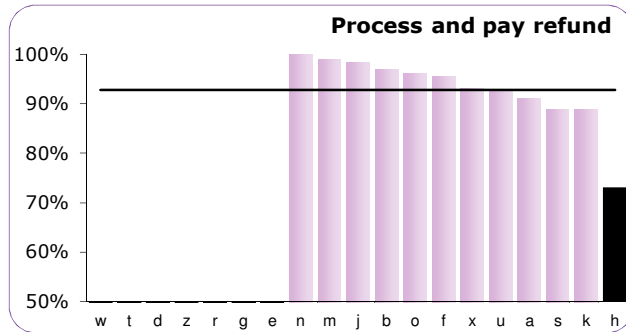
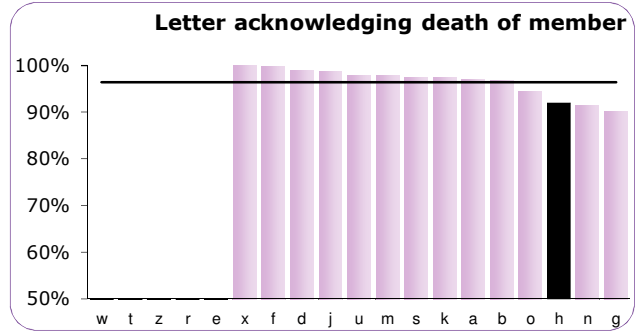
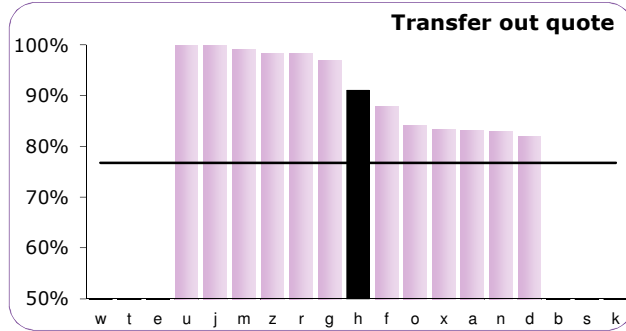
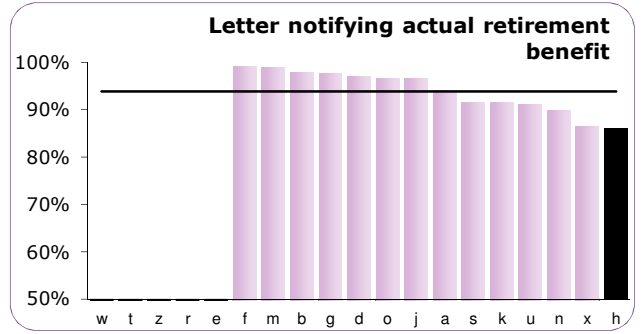
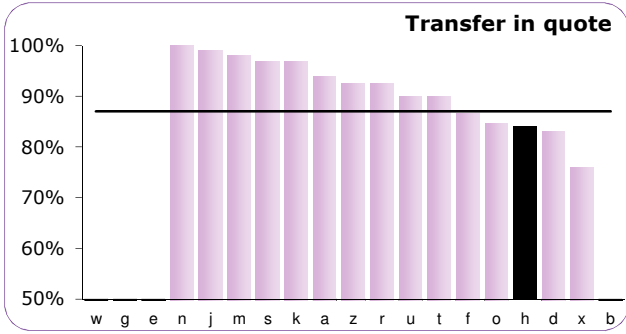


Staff location	FTE	% to total		
		Avg	FTE	Avg
Home based	5.0	3.6	13%	8%
Office based	32.1	51.5	86%	92%
Total	37.1			

Office Based: Staff members who spend >50% of their contracted time working in the office

Home Based: Staff members who spend 50% of their contracted time working from home.

SECTION 5 - INDUSTRY STANDARD PI's



Industry Standard PI's	Target	Achieved	Avg
Letter detailing transfer in quote	10 days	84.0%	87.0%
Letter detailing transfer out quote	10 days	91.0%	76.8%
Process and pay refund	5 days	73.0%	92.8%
Letter notifying estimate of retirement benefit	10 days	94.0%	88.4%
Letter notifying actual retirement benefit	5 days	86.0%	93.9%
Process and pay lump sum retirement grant	5 days	90.0%	94.0%
Letter acknowledging death of member	5 days	92.0%	96.4%
Letter notifying amount of dependant's benefits	5 days	87.0%	88.3%
Calculate and notify deferred benefits	10 days	60.0%	64.5%

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REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2017

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Appendix – London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2017

Section 1 – Summary and Recommendation

Summary

This report presents the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017 on which the Board's comments are invited.

Section 2 – Report

1. Attached is the Pension Fund draft Annual Report and Financial Statements for the year ended 31 March 2017.

2. The audit of the Accounts by KPMG LLP will commence in June and approval will be sought as part of the Council's overall Accounts from Governance, Audit, Risk Management and Standards Committee on 5 September 2017. The Board will be updated on progress at their next meeting on 12 September 2017.
3. To assist in the Board's consideration they are advised of the following key points:

Introduction (Page 3) and Fund Performance (Page 10)

During the year the net assets of the Fund increased from £661.0m to £806.6m.

The Board have been advised that the performance measurement service previously provided by State Street Global Services, which included an annual report on the Fund's performance, would not be available after 31 March 2016. Along with most other administering authorities of the Local Government Pension Scheme (LGPS) the Fund has signed up to a similar but less extensive service being provided by Pensions and Investment Research Consultants (PIRC). The information necessary to complete the Director's comments and the "Fund performance" paragraphs has not yet been received but the Fund has been advised that out of the PIRC universe of approximately 60 LGPS funds the Harrow annual return performance has been as follows:

	Annual Performance (%)	Percentile
1 year	22.4	24
3 years	11.4	34
5 years	11.1	26

Audit Statement (Page 4)

To be provided in September 2017.

Accounts for year ended 31 March 2016 (Page 16)

	£m
Contributions by members and employers including transfers	- 32.6
Benefits paid including transfers	33.6
Investment income	-10.3
Management expenses (including fees charged by investment managers of £4.0m)	5.2
Increase in market value of investments	-141.6

Scheme Overview (Page 19)

Number of pensioners showing an increase from 5,087 in 2013-14 to 5,557 in 2016-17.

Number of deferred pensioners showing an increase from 6,023 in 2013-14 to 6,912 in 2016-17.

Number of active members remaining relatively stable at 5,582 in 2013-14 and 5,644 in 2016-17.

The Fund continues to mature in that benefit payments exceed contributions. This trend towards maturity can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. However, when investment income is taken into account, cashflow remains positive. The impact of stable 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. Discussions with the Actuary on longer term cashflow modelling are ongoing and will be reported to the Pension Fund Committee on 28 June 2017.

4. The appendices to the Accounts have, as appropriate, been reviewed by the Board and the Committee during the last few months.

Financial Implications

5. Whilst this report discusses all aspects of the financial standing of the Pension Fund there are no financial implications arising directly from it.

Legal Comments

6. Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires that an administering authority must produce an annual report containing certain specified matters. The report must be published before 1 December of the scheme year end.

Risk Management Implications

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

Equalities implications

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

Council Priorities

9. The financial health of the Pension Fund directly affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 6 June 2017		
Name: David Hodge	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 7 June 2017		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

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

Background Papers - None

London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the
year ended 31 March 2017



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Appendices

- Appendix 1 Governance Compliance Statement**
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- Appendix 3 A Brief Guide to the Local Government Pension Scheme**
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INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the London Borough of Harrow Pension Fund ('the Fund') for the financial year to 31 March 2017. This Report also explains the administration and management of the Fund and its investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the Net Assets Statement. The actuarial funding level is reported in Note 20 and in the Statement of the Consulting Actuary on page 48.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee regularly reviews the Fund's investment strategy seeking to achieve appropriate returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

During 2016-17, **COMMENTARY ON PERFORMANCE TO BE ADDED**

The net assets of the Fund as at 31 March 2017 were £806.6m compared to £661.0m as at 31 March 2016. **COMMENTARY ON PERFORMANCE TO BE ADDED**

Dawn Calvert - CPFA

Director of Finance

31 May 2017

**Independent auditor’s report to the members of the London Borough of Harrow
on the pension fund financial statements published with the Pension Fund
Annual Report**

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Nitin Parekh (Chair) Councillor Bharat Thakker (Vice Chair) Councillor Josephine Dooley Councillor Norman Stevenson
Independent Advisers	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	John Royle - UNISON Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon Hewitt Limited
Investment Managers	Aviva Investors Global Services Limited BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Longview Partners Oldfield Partners Pantheon Ventures Record Currency Management Limited Standard Life Investments State Street Global Advisors Limited
AVC Providers	Clerical Medical Equitable Life Assurance Society Prudential Assurance
Custodian	JP Morgan
Auditor	KPMG LLP
Performance Measurement	Pensions and Investment Research Consultants
Bankers	The Royal Bank of Scotland

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee met four times during the year. It comprises four Councillors with full voting rights and a non-voting co-optee. Representatives from the trade unions are able to participate as observers of the Committee but do not have voting rights.

The Pension Fund Committee has the following terms of reference:

- 1) 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;
- 2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either 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;

The Committee is advised by two independent advisers and an investment consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<http://www.harrow.gov.uk/www2/mgCommitteeDetails.aspx?ID=1297>

The Local Pension Board assists the Council and the Pension Fund Committee in the administration of the Fund. In particular it oversees:

- 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

INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary (provided by Aon Hewitt Limited, April 2017)

Global equities rebounded strongly following a tumultuous start to 2016, with the MSCI AC World Index returning 17.0% over 12 months in local currency terms. The UK economy proved to be resilient after the surprise Brexit vote in the EU referendum and economic conditions improved across many regions whilst Donald Trump's win in the US presidential election further boosted optimism in the US economy towards the end of the year. A pick-up in inflation across many regions from summer 2016 spurred a rotation from bond markets into equity markets, although bond markets rallied once more in Q1 2017.

As widely expected after Trump's win, the US Federal Reserve raised the target federal funds rate by 25bps to 0.50-0.75% in December. A further 25bps hike to 0.75-1.00% was announced in March 2017. In contrast, monetary policy eased in other major countries as the Bank of England (BoE), the European Central Bank and the Bank of Japan all pursued greater monetary easing, utilising a combination of lower policy rates and extended quantitative easing.

Commodity prices recovered from 2016 lows over the period. The price of Brent crude oil moved higher as global growth prospects improved and gathered further pace upon OPEC's decision to cut production late in 2016. However, the swift increase in supply from US shale oil producers in response to the higher oil price drove US inventories higher which kept a cap on oil prices. Other commodities also rallied over the period as supply/demand conditions improved.

UK gilt yields fell dramatically up until the summer of 2016, with an acceleration following the Brexit result and subsequent monetary easing undertaken by the BoE. From August, however, there was a turnaround in gilt yields as inflation expectations increased. This upward yield move reversed somewhat in 2017 as the reflation trade lost momentum with UK yields trending lower with other markets.

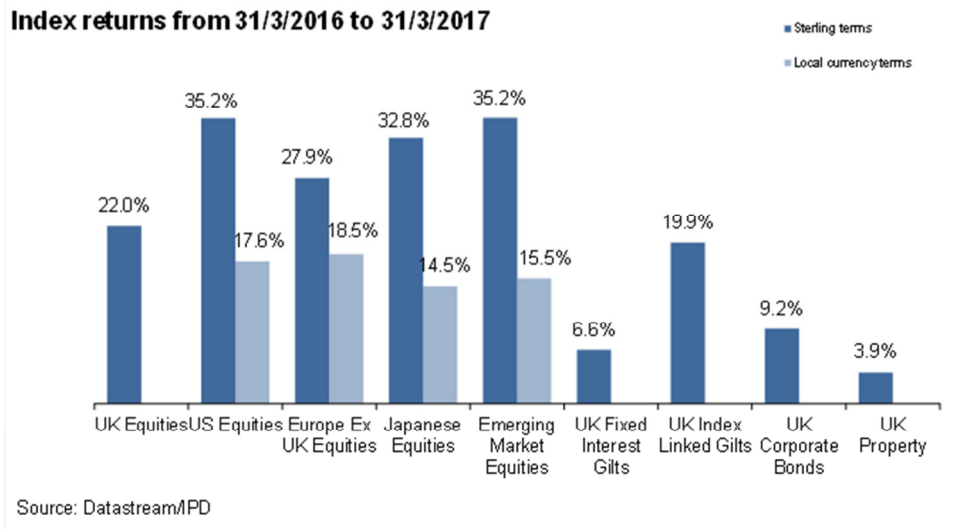
Sterling depreciated sharply on the back of the EU referendum result and renewed monetary easing. Consequently, the MSCI All Country World index returned a huge 32.2% in sterling terms. The US dollar, on the other hand, appreciated on a trade-weighted basis.

UK investment grade corporate bond spreads narrowed by 34bps to end the first quarter of 2017 at 128bps following better than expected economic data and the BoE's extension to corporate bonds in its asset purchasing programme.

UK property returns remained positive over the period despite concerns over the impact of Brexit on the commercial real estate market. Capital values have recovered but remain below pre-Brexit levels. The IPD Monthly Index returned 3.9% over the 12 month period to March 2017.

UK equities rose, posting a return of 22.0% over the 12 months to March 2017 – the most by any region in local currency terms. This was despite the volatility caused by the Brexit vote and the uncertainty of its future impact on the UK economy. Many companies listed on the UK stock exchange earn overseas revenues and the outperformance of these stocks provided a major lift to large cap stocks.

US equities outperformed other regions in sterling terms (35.2%). Macroeconomic data was positive especially in the second half of 2016, whilst prospects of fiscal spending under the new US administration bolstered the equity market. A strong earnings season in early 2017, especially for financials, was also supportive. Unhedged returns were boosted by US dollar strength as US monetary policy tightened.



Investment Policy

The objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (ie the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

The assets of the Fund are invested with the primary objective being to achieve a return that is sufficient to meet the funding objective, subject to an appropriate level of risk 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.

Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks

The Committee 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. Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

In the light of the 2016 actuarial valuation and the review of the Funding Strategy Statement the Investment Strategy will be reviewed in detail during 2017-18.

The following table compares the actual asset allocation as at 31 March 2017 to the agreed allocation

Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	33	31
Developed world equities-active	21	21
Emerging markets equities-active	12	10
Fixed interest securities	10	10
Index-linked securities	3	3
Private equity	2	5
Cash	4	0
Forward currency contracts	0	0
Diversified growth funds	7	10
Pooled property	8	10
Total	100	100

The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. The Fund's ten 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.

Fund performance

COMMENTARY ON FUND PERFORMANCE TO BE ADDED

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013, Regulation 55 requires all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and, if so, what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement was agreed by the Pension Fund Committee on 7 March 2017 and can be found as Appendix 1.

Communications Policy Statement

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The current Statement was agreed by the Pension Fund Committee on 7 March 2017 and can be found as Appendix 2.

Local Government Pension Scheme Guide

A brief guide to the Local Government Pension Scheme can be found as Appendix 3

Investment Strategy Statement

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

This Statement provides details of the Fund's investment policies including:

- The suitability of particular investments;
- The choice of asset classes, and
- Approach to risk.

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'.

The current Statement agreed by the Pension Fund Committee on 7 March 2017 can be found as Appendix 4.

Funding Strategy Statement

Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund;
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Investment Strategy

Statement. The current Statement agreed by the Pension Fund Committee on 7 March 2017 can be found as Appendix 5.

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 Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and are operating effectively. The aim of risk management is to limit risks 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:

Governance and Regulatory Risk

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:

- Decisions are taken by the Pension Fund Committee in the light of advice from the Investment Adviser and officers;
- Regular reviews of the Investment Strategy Statement 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 Pension Fund Committee agenda and papers by Harrow's Legal Department; and
- Establishment of the Pension Board.

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 required from some of the Admitted employers.

Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 14. This is done in line with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. 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, the value of the Fund's investments increased by 22% in 2016-17 compared to decreasing by 3% in the previous year. Most of the price changes relate to the value of global equities. Changes of a similar magnitude are possible in future.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes and geographical areas to include fixed interest and index linked bonds, property, multi assets mandates and

private equity. The investment strategy is reviewed by the Pension Fund Committee and market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required;

- Global equities are managed by three active managers and one passive manager and diversified growth funds by two managers to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- The benefit liabilities are all Sterling based and to reduce the currency risk from non Sterling investments, 50% of the overseas currency exposures are hedged to Sterling.

Liquidity Risk

Investments in some asset classes e.g. private equity and property can be illiquid in that they cannot be realised at short notice. Around 10% of Harrow's Fund is in illiquid assets. This is deemed appropriate for a fund that continues to have a positive cashflow. All cash balances are managed in accordance with the Council's Treasury Management Strategy Statement and are all 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.

Actuarial Risk

The value of the liability for future benefits is affected 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. Recent changes to the benefits structure have reduced some of these risks. All are monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

Operational Risk

Operational risk relates 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 manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting auditors.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

CONTACTS

Registered Address	Pensions Team London Borough of Harrow 3rd Floor South Wing, Civic Centre, Harrow, HA1 2XF
Administration Enquiries	Email address: Pension@harrow.gov.uk Telephone Number: 020 8416 8087 Website: www.harrowpensionfund.org
Complaints and Advice	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB Telephone Number: 0300 123 1047 Website: www.pensionsadvisoryservice.org.uk The Pensions Regulator Napier House Trafalgar Place Brighton BN1 4DW Telephone Number: 0345 6000707 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 11 Belgrave Road London SW1V 1RB Telephone Number: 0207 630 2200 Fax Number: 0207 821 0065 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service Tyneview Park Whitley Road Newcastle Upon Tyne NE98 1BA Telephone Number: 0800 122 3170 Website: www.gov.uk/find-lost-pension

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 Director of Finance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Director of Finance's Responsibilities

The Director of Finance 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 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; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2017 and its income and expenditure for the year then ended.

Dawn Calvert – CPFA
Director of Finance
31 May 2017

Harrow Pension Fund Account for the year ended 31 March 2017

2015/16		Notes	2016/17
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
(28,333)	Contributions	7	(29,938)
(5,839)	Transfers in from other pension funds	8	(2,659)
(261)	Other income		0
(34,433)			(32,597)
31,265	Benefits	9	31,789
3,239	Payments to and on account of leavers	10	1,832
0	Other Expenditure		18
34,504			33,639
	Net (additions)/withdrawals from dealings with members		1,042
71			
4,630	Management expenses	11	5,228
	Return on investments		
(10,425)	Investment income	12	(10,250)
19,568	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(141,595)
9,143	Net return on investments		(151,845)
13,844	Net (increase)/decrease in the net assets available for benefits during the year		(145,575)
(674,845)	Opening net assets of the scheme		(661,001)
(661,001)	Closing net assets of the scheme		(806,576)

Net Assets Statement as at 31 March 2017

31 March 2016		Notes	31 March 2017
£'000			£'000
	Investment assets		
654,554	Investments	14	774,817
878	Derivative contracts	14	2,015
44	Cash with investment managers	14	52
655,476			776,884
11,485	Cash deposits	14	30,914
666,961			807,798
	Investment liabilities		
(7,266)	Derivative contracts	14	(2,256)
659,695			805,542
2,069	Current assets	21	1,374
(763)	Current liabilities	22	(340)
661,001	Net assets of fund available to fund benefits at the period end		806,576

The accounts summarise the transactions of the Fund and deal with the net assets. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed at note 20.

Dawn Calvert – CPFA
Director of Finance
31 May 2017

Notes to the Harrow Pension Fund

Accounts for the year ended

31 March 2017

NOTE 1: DESCRIPTION OF FUND

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) General

The Scheme is governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

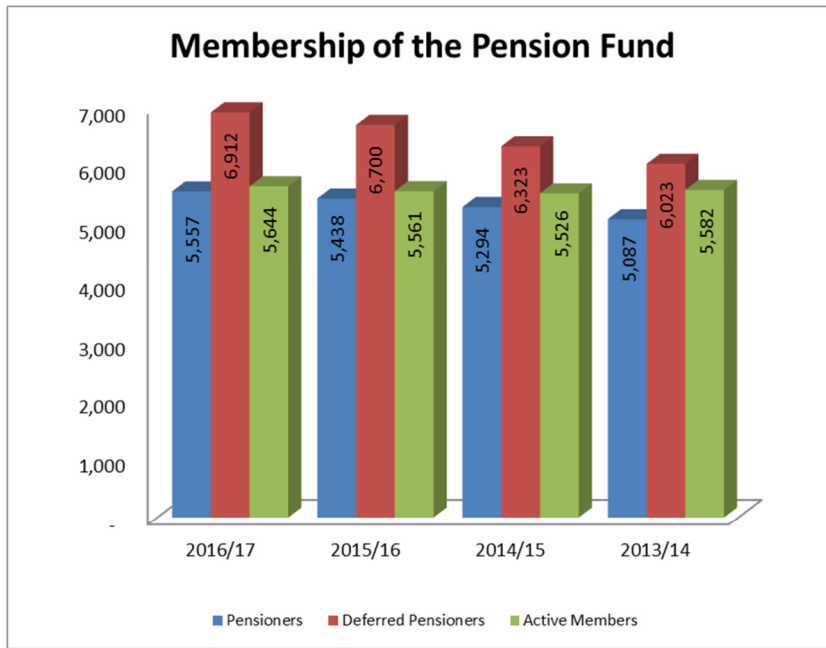
b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

- There are 32 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	5,179	5,749	4,109	15,037	83.01
Harrow College	Scheduled Body	148	274	147	569	3.14
St Dominic's College	Scheduled Body	35	30	57	122	0.67
Stanmore College	Scheduled Body	72	150	69	291	1.60
Alexandra School	Scheduled Body	1	8	22	31	0.17
Avanti House Free School	Scheduled Body	0	5	45	50	0.28
Avanti School Trust	Scheduled Body	0	0	5	5	0.03
Aylward Primary School	Scheduled Body	0	11	76	87	0.48
Bentley Wood School	Scheduled Body	7	65	65	137	0.76
Canons High School	Scheduled Body	7	48	99	154	0.85
Harrow High School	Scheduled Body	7	48	60	115	0.63
Hatch End School	Scheduled Body	15	132	76	223	1.23
Heathland and Whitefriars School	Scheduled Body	4	25	181	210	1.16
Krishna Avanti Primary School	Scheduled Body	0	10	18	28	0.15
Nower Hill High School	Scheduled Body	11	116	128	255	1.41
Park High School	Scheduled Body	4	55	96	155	0.86
Pinner High School	Scheduled Body	0	0	23	23	0.13
Rooks Heath College	Scheduled Body	9	53	114	176	0.97
St Bernadette's School	Scheduled Body	0	0	30	30	0.17
St Jerome School	Scheduled Body	0	0	8	8	0.04
Salvatorian College	Scheduled Body	6	47	40	93	0.51
The Jubilee Academy	Scheduled Body	0	10	17	27	0.15
NLCS	Community Admission Body	30	39	70	139	0.77
Birkin	Transferee Admission Body	0	2	7	9	0.05
Carillion Services	Transferee Admission Body	19	27	45	91	0.50
Chartwells	Transferee Admission Body	1	4	14	19	0.10
Engie (Cofely)	Transferee Admission Body	0	1	2	3	0.02
Govindas	Transferee Admission Body	0	0	5	5	0.03
Granary Kids	Transferee Admission Body	1	2	0	3	0.02
Linbrook Services	Transferee Admission Body	0	1	4	5	0.03
Sopria Steria	Transferee Admission Body	1	0	9	10	0.06
Taylor Shaw	Transferee Admission Body	0	0	3	3	0.02
Total		5,557	6,912	5,644	18,113	100

c) Funding

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.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2016 and showed that the Fund was 74% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 20.1% to 31.4% of pensionable pay with the largest employers paying between 21.4% and 22.5%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the Scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 3.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the financial year to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However in the interest of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs relating to the oversight and governance of the Fund's investments are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change

Where an investment manager's fee invoice has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2016/17.

Net Assets Statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in '*Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)*'

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (see note 15)

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Equitable Life Assurance Society as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

Accounting Standards Issued but not yet fully adopted

The following accounting policy changes are not yet reflected in the 2016-17 Code of Practice. They are not therefore fully implemented in the Statement of Accounts:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration

Neither of these changes are expected to have a material impact on the Pension Fund Accounts.

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future contributions rates and underpin the Fund's most significant management policies.

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £110m • a 2% increase in assumed earnings inflation would increase the value of liabilities by approximately £19m • a 0.5% increase in Pension benefits would increase the liability by approximately £89m
Private equity (Note 16C)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i> .These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £19.3m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The Fund is not aware of any such events.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2015/16		2016/17
£'000		£'000
(6,599)	Employees' contributions	(6,960)
	Employers' contributions:	
(16,763)	Normal contributions	(18,041)
(4,549)	Deficit recovery contributions	(4,614)
(422)	Pension strain contributions	(323)
(21,734)	Total employers' contributions	(22,978)
(28,333)		(29,938)

By authority

2015/16		2016/17
£'000		£'000
(21,504)	Administering Authority	(22,957)
(5,667)	Scheduled bodies	(5,975)
(519)	Community admission body	(588)
(643)	Transferee admission bodies	(418)
(28,333)		(29,938)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2015/16		2016/17
£'000		£'000
(3,304)	Group transfers	0
(2,535)	Individual transfers	(2,659)
(5,839)		(2,659)

NOTE 9: BENEFITS PAYABLE

By category

2015/16		2016/17
£'000		£'000
26,454	Pensions	27,044
4,074	Commutation and lump sum retirement benefits	4,074
737	Lump sum death benefits	671
31,265		31,789

By authority

2015/16		2016/17
£'000		£'000
29,070	Administering Authority	29,592
1,508	Scheduled bodies	1,721
290	Community admission body	180
397	Transferee admission bodies	296
31,265		31,789

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16		2016/17
£'000		£'000
60	Refunds to members leaving service	80
3,179	Individual transfers	1,752
3,239		1,832

NOTE 11: MANAGEMENT EXPENSES

2015/16		2016/17
£'000		£'000
642	Administrative costs	646
3,452	Investment management expenses	3,996
536	Oversight and governance costs	586
4,630		5,228

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2015/16		2016/17
£'000		£'000
3,427	Management fees	3,798
0	Performance related fees	0
25	Custody fees	72
0	Transaction costs	126
3,452		3,996

NOTE 12: INVESTMENT INCOME

2015/16		2016/17
£'000		£'000
(6,030)	Private equity investments	(5,177)
(1,708)	Pooled property investments	(1,971)
(2,687)	Pooled investments - units trusts and other managed funds	(3,102)
(10,425)		(10,250)

NOTE 13: EXTERNAL AUDIT COSTS

2015/16		2016/17
£'000		£'000
(21)	Payable in respect of external audit	(21)
(21)		(21)

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2016		31 March 2017
£'000		£'000
	Investment assets	
437,087	Pooled equities investments	531,614
86,978	Pooled bonds investments	100,883
56,287	Pooled alternative investments	58,420
53,481	Pooled property investments	64,409
150	Equity in London CIV	150
20,571	Private equity	19,341
878	Derivative contracts: forward currency	2,015
44	Cash with investment managers	52
655,476		776,884
11,485	Cash deposits	30,914
666,961	Total investment assets	807,798
	Investment liabilities	
(7,266)	Derivative contracts: forward currency	(2,256)
(7,266)	Total investment liabilities	(2,256)
659,695	Net investment assets	805,542

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	437,087	0	(46,492)	141,019	531,614
Pooled bonds investments	86,978	4,208	(1,134)	10,831	100,883
Pooled alternative investments	56,287	0	(414)	2,547	58,420
Pooled property investments	53,481	10,000	(378)	1,306	64,409
Equity in London CIV	150	0	0	0	150
Private equity	20,571	0	(350)	(880)	19,341
Derivative contracts: forward currency	(6,388)	19,375		(13,228)	(241)
	648,166	33,583	(48,768)	141,595	774,576
Cash with investment managers	44				52
Cash deposits	11,485				30,914
	11,529				30,966
Net investment assets	659,695				805,542

	Market value 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	449,979	0	(1,742)	(11,150)	437,087
Pooled bonds investments	86,377	4,162	(653)	(2,908)	86,978
Pooled alternative investments	59,535	0	(365)	(2,883)	56,287
Pooled property investments	50,562	0	(474)	3,393	53,481
Equity in London CIV	0	150	0	0	150
Private equity	22,954	0	(564)	(1,819)	20,571
Derivative contracts: forward currency	(2,649)	3,867	(3,405)	(4,201)	(6,388)
Cash re transition	268	0	(268)	0	0
	667,026	8,179	(7,471)	(19,568)	648,166
Cash with investment managers	869				44
Cash deposits	5,793				11,485
	6,662				11,529
Net investment assets	673,688				659,695

NOTE 14B: ANALYSIS OF INVESTMENTS

31 March 2016		31 March 2017	
£'000		£'000	
Pooled Funds			
UK			
69,401	Fixed Interest Securities	Corporate	80,804
17,577	Index Linked Securities	Public Sector	20,079
53,481	Managed Funds - Property	Unit Trusts	64,409
140,459			165,292
Global			
219,424	Managed Funds - Equities	Unitised Insurance Policy	267,790
217,663	Managed Funds - Equities	Other	263,824
437,087			531,614
29,216	Managed Funds - Alternatives	Unit Trusts	29,324
27,071	Managed Funds - Alternatives	Other	29,096
56,287			58,420
20,571	Managed Funds - Private Equity	Other	19,341
Other Funds			
878	Derivatives		2,015
150	Equity in London CIV		150
44	Cash with investment managers		52
11,485	Cash Deposits		30,914
666,961	Total Investment Assets		807,798
Investment Liabilities			
(7,266)	Derivatives		(2,256)
(7,266)	Total Investment Liabilities		(2,256)
659,695	Net Investment Assets		805,542

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2016	Percentage of Fund	Manager	Investment assets	Market value 31 March 2017	Percentage of Fund
£'000	%			£'000	%
53,481	8	Aviva	Pooled property	64,409	8
44	0	BlackRock	Cash with investment managers	52	0
69,401	11	BlackRock	Fixed interest securities	80,804	10
17,577	3	BlackRock	Index-linked securities	20,079	3
11,485	2	Cash Deposits		30,901	4
71,463	11	GMO	Emerging markets equities-active	94,156	12
27,071	4	Insight	Diversified growth fund	29,096	3
0	0	JP Morgan	Cash with investment managers	13	0
150	0	London CIV	UK equities-passive	150	0
75,499	11	Longview	Developed world equities-active	86,213	11
70,701	11	Oldfields	Developed world equities-active	83,455	10
20,571	3	Pantheon	Private equity	19,341	2
(6,388)	(1)	Record	Forward currency contracts	(241)	0
29,216	4	Standard Life	Diversified growth fund	29,324	4
219,424	33	State Street	Global equities-passive	267,790	33
659,695	100			805,542	100

The following investments represent more than 5% of the net assets of the Fund

Market value 31 March 2016	% of total fund	Investment assets	Market value 31 March 2017	% of total fund
£'000			£'000	
219,424	33	SSGA MPF All World Equity Index Sub-Fund	267,790	33
71,463	11	GMO Emerging Domestic Opportunities Equity Fund	94,156	12
75,499	11	Longview Partners - Global Pooled Equities FD K Class	86,213	11
70,701	11	Overstone Global Equity CCF (USD Class A1 Units)	83,455	10
69,401	11	BlackRock Institutional Bond Fund - Corp Bond 10 yrs A Class	80,804	10
53,481	8	Aviva Investors UK Real Estate Fund of Funds	64,409	8
559,969	85	Total over 5% holdings	676,827	84

NOTE 14D: STOCK LENDING

Within the Investment Strategy Statement stock lending is permitted within pooled funds. At present, use of this facility is restricted to the State Street Global Advisors' mandate.

The State Street lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors with appropriate risk controls.

The programme benefits from a counterparty default indemnity from State Street Bank & Trust Company pursuant to its Securities Lending Authorisation Agreement.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	AUD	5,462	GBP	(3,370)		(36)
Up to one month	CAD	9,506	GBP	(5,740)		(38)
Up to one month	CHF	5,204	GBP	(4,199)		(38)
Up to one month	EUR	8,353	GBP	(7,235)		(88)
Up to one month	GBP	3,305	AUD	(5,646)		(140)
Up to one month	GBP	2,218	JPY	(317,300)		(61)
Up to one month	GBP	1,171	SEK	(13,093)		(3)
Up to one month	GBP	594	SGD	(1,059)		(12)
Up to one month	GBP	23,741	USD	(31,023)		(1,071)
Up to one month	HKD	43,584	GBP	(4,509)		(24)
Up to one month	JPY	1,877,000	GBP	(13,716)		(240)
Up to one month	NOK	2,648	GBP	(250)		(3)
Up to one month	NZD	190	GBP	(107)		(1)
Up to one month	SEK	13,093	GBP	(1,184)		(11)
Up to one month	SGD	950	GBP	(548)		(5)
Up to one month	USD	36,307	GBP	(29,252)		(212)
One to six months	GBP	11,985	JPY	(1,704,100)		(268)
One to six months	USD	1,595	GBP	(1,278)		(5)

Up to one month	AUD	184	GBP	(112)	0
Up to one month	GBP	5,734	CAD	(9,506)	32
Up to one month	GBP	4,161	CHF	(5,204)	1
Up to one month	GBP	7,242	EUR	(8,353)	95
Up to one month	GBP	4,574	HKD	(43,584)	89
Up to one month	GBP	11,880	JPY	(1,559,700)	681
Up to one month	GBP	248	NOK	(2,648)	2
Up to one month	GBP	110	NZD	(190)	4
Up to one month	GBP	4,296	USD	(5,284)	70
Up to one month	SGD	109	GBP	(61)	1
One to six months	GBP	3,356	AUD	(5,462)	36
One to six months	GBP	5,735	CAD	(9,506)	38
One to six months	GBP	3,697	CHF	(4,562)	38
One to six months	GBP	6,873	EUR	(8,013)	2
One to six months	GBP	4,508	HKD	(43,584)	23
One to six months	GBP	250	NOK	(2,648)	3
One to six months	GBP	107	NZD	(190)	1
One to six months	GBP	1,187	SEK	(13,093)	11
One to six months	GBP	548	SGD	(950)	4
One to six months	GBP	29,476	USD	(36,307)	499
Over six months	GBP	6,957	EUR	(8,013)	70
Over six months	GBP	12,389	JPY	(1,704,100)	113
Over six months	GBP	27,837	USD	(34,712)	202

Open forward currency contracts at 31 March 2017

2,015 (2,256)

Net forward currency contracts at 31 March 2017

(241)

Prior year comparative

Open forward currency contracts at 31 March 2016

878 (7,266)

Net forward currency contracts at 31 March 2016

(6,388)

NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Pooled investments - property funds	Level 1	Closing bid price where bid and offer prices are published	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation (2012)</i>	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2017

	Assessed valuation range (+/-)	Valuation at 31 March 2017	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	10%	19,341	21,275	17,407

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	755,476	2,015	19,341	776,832
Financial liabilities at fair value through profit and loss	0	(2,256)	0	(2,256)
Net Investment asset	755,476	(241)	19,341	774,576

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	633,983	878	20,571	655,432
Financial liabilities at fair value through profit and loss	0	(7,266)	0	(7,266)
Net Investment asset	633,983	(6,388)	20,571	648,166

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

There have been no transfers during 2016/17

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2016/17	Market Value 1 April 2016	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market Value 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	20,571	0	0	0	(350)	(880)	0	19,341

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2016			31 March 2017		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
437,087	0	0	531,614	0	0
86,978	0	0	100,883	0	0
56,287	0	0	58,420	0	0
53,481	0	0	64,409	0	0
150	0	0	150	0	0
20,571	0	0	19,341	0	0
878	0	0	2,015	0	0
0	13,281	0	0	32,028	0
0	317	0	0	312	0
655,432	13,598	0	776,832	32,340	0
Financial liabilities					
(7,266)	0	0	(2,256)	0	0
0	0	(763)	0	0	(340)
(7,266)	0	(763)	(2,256)	0	(340)
648,166	13,598	(763)	774,576	32,340	(340)
661,001			806,576		
Grand Total					

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2016		31 March 2017
£'000		£'000
	Financial assets	
(15,367)	Fair value through profit and loss	154,823
0	Loans and receivables	0
	Financial liabilities	
(4,201)	Fair value through profit and loss	(13,228)
0	Financial Liabilities at amortised cost	0
(19,568)	Total	141,595

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on an annual basis.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equities holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

Assets type	Potential market movements (+/-)
Total equities	10.00%
Fixed interest & index linked securities	9.50%
Alternative investments	6.30%
Pooled property investments	2.80%
Cash and equivalents	0.00%

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2017	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Total equities	551,105	10.00	606,216	495,995
Fixed interest & index linked securities	100,883	9.50	110,467	91,299
Alternative investments	58,420	6.30	62,100	54,740
Pooled property investments	64,409	2.80	66,212	62,606
Derivative contracts: net forward currency	(241)	0.00	(241)	(241)
Total	774,576		844,754	704,399

Asset type	Value as at 31 March 2016	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Total equities	457,808	10.07	503,909	411,707
Fixed interest & index linked securities	86,978	9.07	94,867	79,089
Alternative investments	56,287	7.36	60,430	52,144
Pooled property investments	53,481	2.37	54,748	52,214
Derivative contracts: net forward currency	(6,388)	0.00	(6,388)	(6,388)
Total	648,166		707,566	588,766

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2017	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	30,966	0	30,966	30,966
Fixed interest securities	80,804	808	81,612	79,996
Total change in assets available	111,770	808	112,578	110,962

Assets exposed to interest rate risk	Carrying amount as at 31 March 2016	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	11,529	0	11,529	11,529
Fixed interest securities	69,401	694	70,095	68,707
Total change in assets available	80,930	694	81,624	80,236

This analysis demonstrates that changes in interest rates do not impact on the value of cash & cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 5.56%

A 5.56% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

Currency Exposure - asset type	Asset Value as at 31 March 2017	Change to net assets	
	£'000	+5.56%	-5.56%
Overseas Equities	480,403	507,113	453,693

Currency Exposure - asset type	Asset Value as at 31 March 2016	Change to net assets	
	£'000	+3.77%	-3.77%
Overseas Equities	390,763	405,495	376,031

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2017 was £31.0m (31 March 2016: £11.5m). This was held with the following institutions.

Summary	Balances at 31 March 2017	Balances at 31 March 2016
	£'000	£'000
Bank accounts		
Royal Bank of Scotland	30,901	10,048
JP Morgan	13	1,437
BlackRock	52	44
	30,966	11,529

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2017 the value of illiquid assets was £83.7m, which represented 10% of the total Fund assets (31 March 2016: £74.1m, which represented 11% of the total Fund assets).

All financial liabilities at 31 March 2017 are due within one year.

Refinancing risk

The Pension Fund does not have any financial instruments that have a refinancing risk.

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation takes place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2016 actuarial valuation, the Fund was assessed as 74% funded (70% at the March 2013 valuation). This corresponded to a deficit of £228m (2013 valuation: £234m).

Contribution increases are being phased in over the 3 years' period ending 31 March 2020.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

Other financial assumptions	2016	2013
	%	%
Price inflation (CPI)	2.2	2.5
Salary increases	2.4	3.8
Pension increases	2.2	2.5
Gilt based discount rate	2.2	3.0
Funded basis discount rate	3.8	4.6

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% per annum.

Future life expectancy based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.2 years	24.4 years
Future pensioners (assumed to be aged 45)	24.0 years	26.4 years

Commutation assumption

It is assumed that 50% of future retirees will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2016		31 March 2017
£m		£m
(933)	Present value of promised retirement benefits	(1,102)
594	Fair value of scheme assets	733
(339)	Net Liability	(369)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

	2016/17	2015/16
	% pa	% pa
Inflation/pensions increase rate assumption	2.4	2.2
Salary increase rate	2.7	3.7
Discount rate	2.5	3.5

NOTE 21: CURRENT ASSETS

31 March 2016		31 March 2017
£'000		£'000
Debtors:		
297	Contributions due - employers	142
20	Sundry debtors	170
1,752	Cash owed to Fund	1,062
2,069		1,374

Analysis of debtors

31 March 2016		31 March 2017
£'000		£'000
0	Central Government bodies	12
1,752	Other local authorities	1,062
4	NHS bodies	4
297	Scheduled/Admitted bodies	142
16	Other entities and individuals	154
2,069		1,374

NOTE 22: CURRENT LIABILITIES

31 March 2016		31 March 2017
£'000		£'000
(167)	Sundry creditors	(202)
(430)	Transfer values payable (leavers)	0
(166)	Benefits payable	(138)
(763)		(340)

Analysis of creditors

31 March 2016		31 March 2017
£'000		£'000
(15)	Central government bodies	(7)
(431)	Other local authorities	0
(317)	Other entities and individuals	(333)
(763)		(340)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC contributions of £0.XXm were paid directly to the providers during the year (2015/16: £0.31m)

(CLERICAL MEDICAL TO BE UPDATED ONCE RECEIVED)

Market value 31 March 2016		Market value 31 March 2017
£'000		£'000
1,233	Prudential Assurance	1,382
741	Clerical Medical	XX
237	Equitable Life Assurance Society	239
2,211		2,362

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: RELATED PARTY TRANSACTIONS

Harrow Council

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.

The Pension Fund has operated a separate bank account since April 2011. However to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account and these transaction are settled on a monthly basis.

31 March 2016		31 March 2017
£'000		£'000
(16,351)	Employer's Pension Contributions to the Fund	(17,514)
853	Administration expenses paid to the Council	826
1,752	Cash held by the Council	1,062

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund is the Councils' Director of Finance (S151 Officer). During 2015-16 the Director of Human resources also fell into this category. Total remuneration payable from the Pension Fund to these key management personnel is set out below:

31 March 2016		31 March 2017
£'000		£'000
43	Short-term benefits	35
0	Termination benefits	21

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2017 totalled £3.0m (31 March 2016: £2.9m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures in the private equity part of the portfolio.

NOTE 27: CONTINGENT ASSETS

Two admitted body employers in the Fund hold insurance bonds or guarantees to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.



Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Harrow Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2017	31 March 2016
Active members (£m)	440	496
Deferred members (£m)	250	169
Pensioners (£m)	497	351
Total (£m)	1,187	1,016

The promised retirement benefits at 31 March 2017 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the London Borough of Harrow only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £171m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £13m.

Financial assumptions

Year ended (% p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	3.7%
Discount Rate	2.6%	3.5%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.2 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.0 years	26.4 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	89
0.5% p.a. increase in the Salary Increase Rate	2%	19
0.5% p.a. decrease in the Real Discount Rate	9%	110

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Gemma Sefton FFA

25 April 2017

For and on behalf of Hymans Robertson LLP

REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: Information Report - Pension Fund Committee Meetings on 7 March 2017 and 10 May 2017

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Minutes of Pension Fund Committee
7 March 2017
Minutes of Pension Fund Committee
10 May 2017

Section 1 – Summary

Summary

The report sets out the matters considered by the Pension Fund Committee at their meetings on 7 March 2017 and 10 May 2017, attaches the minutes of the meetings and invites the Board to agree any comments they might wish to make to the Committee.

Section 2 – Report

1. Matters considered by the Pension Fund Committee at their meeting on 7 March 2017

- Actuarial Valuation
- Funding Strategy Statement
- Investment Strategy Statement
- Local Government Pension Scheme Pooling Arrangements Update
- Communications Policy Statement
- Governance Compliance Statement
- Policy for Reporting Breaches of the Law
- Performance Measurement Services
- Update on Regular Items:
 - Draft work programme
 - Performance of fund managers
 - Issues raised by Pension Board
- Quarterly Trigger Monitoring Q4 2016
- External Audit Plan 2016-17
- Annual Review of Internal Controls at Investment Managers
- Actuarial and Benefits Services Consultancy and Pension Fund Investment Consultancy – Contracts
- Independent Advisers and Co-optee
- Pension Death Grant Payment
- Investment Manager Monitoring

A copy of the minutes of the meeting is attached

2. Matter considered by the Pension Fund Committee at their meeting on 10 May 2017

- Local Government Pooling Arrangements – Proposed Transition of Longview Partners' Mandate

A copy of the minutes of the meeting is attached

Financial Implications

3. Whilst this report discusses numerous matters relevant to the financial standing of the Pension Fund there are no financial implications arising directly from it.

Risk Management Implications

4. Relevant risks are included in the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

6. The financial health of the Pension Fund directly affects the level of employer contribution which in turn affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 7 June 2017		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

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

Background Papers - None

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PENSION FUND COMMITTEE

MINUTES

7 MARCH 2017

Chair:	* Councillor Nitin Parekh		
Councillors:	* Jo Dooley	* Bharat Thakker	
	* Norman Stevenson		
Co-optee (Non-voting):	* Howard Bluston		
Trade Union Observers:	John Royle	Pamela Belgrave	
Independent Advisers:	* Mr C Robertson	Independent Adviser	
	* Honorary Alderman R Romain	Independent Adviser	
Others:	* Dave Lyons	Council's Investment Adviser	Aon Hewitt
	* Joe Peach	Council's Investment Adviser	Aon Hewitt
	* Gemma Sefton	Council's Actuary	Hymans Robertson
	Laura Molloy	Council's Actuary	Hymans Robertson
	* Richard Harbord	Chair of Pension Board	

* Denotes Member present

176. Attendance by Reserve Members

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

177. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 20 - Independent Advisers and Co-optee

Councillors Nitin Parekh and Josephine Dooley declared non-pecuniary interests in that they were members of the Labour Party, the same as Howard Bluston, a co-optee of the Pension Fund Committee. They would remain in the room whilst the matter was considered and voted upon.

Prior to the consideration of this item, Howard Bluston, a non-voting co-optee, and Honorary Alderman Richard Romain and Colin Robertson, Independent Advisers, declared pecuniary interests in that their roles were referenced to in the report. They left the room during discussion and decision-making on this item.

All Agenda Items

Councillor Norman Stevenson, a Member on the Committee, declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

All Agenda Items except Item 20

Howard Bluston, a non-voting co-optee on the Committee, declared a non-pecuniary interest in that he was Chair of Edward Harvist Charity, which was managed by BlackRock Investment Management. He also attended the PLSA North London Branch meetings held at the offices of Aon Hewitt, the Committee's Investment Adviser. He added that he knew representatives of Standard Life who had given a presentation prior to the meeting through his association with an Independent Advisory Group. He would remain in the room whilst the items, except item 20, were discussed and make contributions as a non-voting co-optee on the Committee.

178. Minutes

RESOLVED: That the minutes of the meeting held on 22 November 2016, be taken as read and signed as a correct record.

179. Public Questions. Petitions and Deputations

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

RESOLVED ITEMS

180. Information Report - Actuarial Valuation

The Director of Finance reported that this was the last of the triennial valuation reports which incorporated the professional opinion of the Council's Actuary, Hymans Robertson. The Director added that the intention was to achieve a 20-year funding strategy and the Council would be contributing an additional £1m each year over the next three years into the Pension Fund.

The Committee received a presentation from Gemma Sefton, the Actuary, Hymans Robertson LLP, on the Actuarial Valuation Report and the Council's employer's Valuation Results and Contribution Strategy. She referred to her presentation slides and drew attention to the Executive Summary in the Valuation report which set out the funding and contribution levels. She explained that some items remained outstanding, including corrections, and would be incorporated as part of the signing-off process of the London Borough of Harrow Pension Fund 2016 Actuarial Valuation Report.

Gemma Sefton responded to questions from the Committee, as follows:

- a majority of Councils were facing pressures within their Pension Schemes due to increases in costs which could not necessarily be offset by increasing the employer's contribution;
- various scenarios had been conducted in assessing the impact on the Fund due to an increase in rates in the past three years;
- the Council would make an extra contribution of £1m each year and she agreed that the wording in the report needed amending to help clarify the levels of contribution, including when these payments would be made. She explained that the first payment would be made in the financial year 2017/18 and that the cumulative effect of the increased contributions over the three year period would be £6m;
- in relation to the life expectancy, a statistical analysis on Harrow Council's membership was carried out and assumptions made. She agreed that the report needed to make this aspect clearer.

RESOLVED: That the presentation be received and noted and that it be also noted that corrections to the 2016 Actuarial Valuation Report would be made as set out in the preamble above.

181. Funding Strategy Statement

The Committee received a report of the Director of Finance seeking approval of the draft Funding Strategy Statement. It was noted that the Funding Strategy Statement was required under Regulation 58 of the Local Government Pension Scheme Regulations 2013 and that it set out how the Administering Authority (the Council) carried out its responsibilities in respect of:

- affordability of employer contributions;
- transparency of processes;
- stability of employer's contributions;
- prudence in the funding basis.

An officer reported that in drafting the Funding Strategy Statement, advice had been received from the Council's Actuary, Hymans Robertson. He added and that the reference to 'dependents' rather than 'heirs', as suggested by the Chair, was used due to the requirements of the Regulations.

Gemma Sefton, Hymans Robertson, responded to a question from Colin Robertson, Independent Adviser, on the set of assumptions used, which also involved the use of sophisticated modelling. A prudent target was intended at all times. Colin Robertson was of the view that correlation was critical and that asset classes could be added even though they did not provide high returns as they were considered to be less risky. Richard Romain, Independent Adviser, suggested that paragraph 4.5 be amended and it was

RESOLVED: That the draft Funding Strategy Statement be approved, subject to paragraph 4.5 being amend to read:

Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the Pension Fund Committee meeting by exception.

182. Investment Strategy Statement

The Committee received a report of the Director of Finance seeking approval of the draft Investment Strategy Statement required under the Local Government Scheme (Management of Funds) Regulations 2016.

Members were invited to make comments in relation to the Investment Strategy Statement and it was noted that Colin Robertson, Independent Adviser, had made suggestions in that paragraphs 7.13 and 7.14 be deleted. An officer added that the Pension Board had made the following comments which would be passed to Aon Hewitt, Council's Investment Adviser, in their upcoming strategy work:

- the investment strategy is expected to secure the recent gains for the Fund;
- ensure that expected gains and rewards were commensurate with the risks taken;
- re-balancing strategy;
- the Fund's approach to investment in infrastructure.

The Committee agreed that the table at paragraph 7.11 be amended by officers should any technical issues be identified. An officer informed the Committee that he was reviewing the performance targets of Pantheon's investments and would inform the Committee of his assessment in due course.

Dave Lyons, Aon Hewitt, referred to paragraph 7.14 of the report which set out the volatility/variability in the value of assets and liabilities and suggested their consideration in terms of both absolute capital loss and also the volatility of assets versus the Fund's liabilities. He explained that during crises in the financial markets, and under the actuarial valuation approach utilised, it was possible that assets could decrease in value whilst liabilities could increase in value. This flight to quality and the resulting fall in government bond yields would potentially increase the funding shortfall in the Fund. Paragraph 7.13 was less intuitive and changes in the value of the Fund's overseas investments would also be affected if sterling weakened or strengthened relative to the other major global currencies. In order to protect against this it is possible to passively currency hedge overseas investment exposure which would largely remove the currency element in the overseas investment and reduce this risk. He added that expected returns would also reduce due to the intricacies of the currency hedging market and that rolling the currency hedging program would be a better option. Colin Robertson noted that the Fund has a partial currency hedging program in place and Dave Lyons observed that this will have somewhat held back the investment performance of the overseas investments given the recent fall in sterling relative to the other major global currencies, but that this situation could be expected to reverse if and when sterling strengthened.

In response to questions, Dave Lyons stated that the level of currency hedging employed currently was appropriate and that it would be difficult to pre-empt how currency markets would react to international events moving forward. A reference to asset/liability modelling would be included in the Investment Strategy Statement following the investment strategy review to be submitted to the June 2017 meeting of the Committee.

Richard Romain, Independent Adviser, suggested that an Executive Summary would be helpful and it was

RESOLVED: That the draft Investment Strategy Statement be approved, subject to:

- (1) the inclusion of an Executive Summary;
- (2) the table at paragraph 7.11 being amended by officers should any technical issues be identified;
- (3) paragraphs 7.13 and 7.14 being deleted.

183. Local Government Pension Scheme Pooling Arrangements

The Committee received a report of the Director of Finance on the development of the pooling arrangements and the London CIV (Collective Investment vehicle) seeking approval of a payment to the CIV in 2017-18 of £100,000 to cover the service charge of £25,000 and the development funding charge of £75,000.

An officer introduced the report and referred to the view of the Minister for Local Government that progress envisaged by the CIV “will be unacceptably slow”. He outlined Harrow’s strategy as set out in paragraphs 8 and 9 of the report and referred to a communication from the London CIV (Collective Investment Vehicle) regarding the launch of the Longview mandate in June 2017 which would be the subject of a report to the Committee in June 2017 prior to any response being sent to the CIV. The officer added that further advice from Aon Hewitt, the Council’s Investment Adviser, would be sought in relation to the further transitions of the equities mandates. He advised that approval of the payment to the London CIV of £100k rather than the £25k expected was due to the inability of the CIV to earn the expected fees from the letting of the passive mandates.

Richard Romain, Independent Adviser, stated that he was not a supporter of the CIV which was expected to deliver savings but costings had gone up instead. An officer informed the Committee that the London CIV had negotiated a reduction in fees with Legal & General and he expected the savings to be realised by its members.

Dave Lyons, Aon Hewitt, referred to the long standing debate as to how to get life funds onto the CIV platform. He explained that the structure of life funds was such that the drawbacks to transferring them to alternative structures were so considerable that the government had agreed that they be exempt from full transition to the CIV.

Colin Robertson, Independent Adviser, also expressed concern about the London CIV due to its slow progress and suggested that it would be appropriate for the Chair of the Committee to communicate the Committee’s disappointment to the London CIV. Howard Bluston, co-optee, referred to the structural issues within the London CIV.

RESOLVED: That

- (1) the developments outlined in the report be noted and that the payment of £100,000 to the London CIV in 2017-18 as the Fund’s contribution to the running costs of the CIV be agreed;
- (2) the Chair write to the London CIV expressing the Pension Fund Committee’s disappointment with the progress made.

184. Communications Policy Statement

The Committee received a report of the Director of Finance seeking approval of the draft revised Communications Policy Statement, as required under provision 61 of the Local Government Pension Scheme Regulations 2013.

An officer referred to the Policy Statements that had been redrafted and that the list of the employers who are members of the Fund had been updated. He added that the Pension Board, at their meeting that afternoon, had discussed this report in detail and had suggested the need to improve the Pension Fund website and for contact details of member of the Board to be included.

RESOLVED: That the Communications Policy Statement be approved.

185. Governance Compliance Statement

The Committee received a report of the Director of Finance seeking approval of the draft revised Governance Compliance Statement, as required under provision 55 of the Local Government Pension Scheme Regulations 2013.

An officer outlined the content of the report and that the Pension Board, at their meeting that afternoon, had made reference to the good working relationship between the Committee and the Board.

RESOLVED: That the revised Governance Compliance Statement be approved.

186. Policy for Reporting Breaches of the Law

The Committee received a report of the Director of Finance seeking approval of the draft Policy for Reporting Breaches of the Law.

An officer introduced the report and responded to questions. He informed the Committee that officers dealt with the issue of compliance with the law with appropriate diligence. He referred to the "Pension Regulator's Code of Practice No. 14" and the Council's self-assessment of its compliance with it.

RESOLVED: That the Policy for Reporting Breaches of the Law be approved and that the Council's self-assessment of its compliance with the "Pension Regulator's Code of Practice No. 14" be circulated to the Committee.

187. Information Report - Performance Measurement Services

The Committee received a report of the Director of Finance setting out the latest position in respect of the performance measurement services provided by Pension and Investment Consultants Limited.

An officer introduced the report and informed the Committee that 456 LGPS funds had signed up to the service. Currently, all that had been received from the company had been three general quarterly reports. He acknowledged that the reports provided were basic and this was reflected in the charge

levied. He added that efforts had been made to persuade the company to provide customised reports.

Members were informed that Pension and Investment Consultants Limited had queried the data provided by the Council and that officers were in the process of responding to the queries.

The Independent Advisers were of the view that the reports provided by Pension and Investment Consultants Limited were devoid of meaningful information but that the service provided should be continued with in the interim. The officer referred to the contract with the company which stipulated the service to be provided, as follows:

- participation in the Local Authority Universe – fund and portfolio data reviewed, standardised and incorporated in the aggregate;
- provision of quarterly and annual Universe results and analysis;
- provision of annual league tables and analysis;
- provision of Universe research.

RESOLVED: That the report be noted.

188. Pension Fund Committee - Update on Regular Items

The Committee received a report of the Director of Finance updating members on:

- the draft work programme on which the Committee's comments and agreement were requested;
- performance of fund managers for previous periods;
- issues raised by the Pension Board.

An officer introduced the report and informed the Committee that a 'Review of the Actuarial and Investment Adviser Contracts' would be added to the work programme for both June and September 2017. He added that a suitable date needed to be identified for a 'Meet the Managers' half day and he would contact members of the Committee in this regard.

Members were informed of the improved performance of the Pension Fund and that the figures were based on the difference in value between respective dates. The officer undertook to include benchmark information in the next report.

RESOLVED: That the Work Programme for the period up to March 2018 be agreed, subject to the following additions:

- a 'Review of Contracts' in June and September 2017
- a session on 'Meet the Manager' on a date to be identified.

189. Quarterly Trigger Monitoring Q4 2016

The Committee considered a report from the Fund's Investment Advisers, Aon Hewitt, on Quarterly Trigger Monitoring in line with its function to administer all matters concerning the Council's Pension investments in accordance with law and Council policy as conferred by Part 3A, Terms of Reference of the Council's Constitution.

Dave Lyons, Aon Hewitt, outlined the purpose of the report which was to provide an update on the status of three de-risking triggers which the Committee had agreed to monitor and which related to:

- Fund's funding level
- Yield triggers based on the 20 year spot yield
- Aon Hewitt's view of bond yields.

Aon Hewitt did not recommend de-risking actions at the current time. In response to a question on the implications of de-risking, Dave Lyons, Aon Hewitt, explained that this would entail a switch from more risky assets to bonds but that this was not necessarily a straight forward process. The criteria were subjective and further discussions would be required. A comprehensive report exploring the implications of de-risking would be submitted as part of the Investment Strategy review to the next meeting. Howard Bluston, co-optee, commented that such a report may be too late in the context of the post-Trump euphoria.

Some members of the Committee remarked that the Council's existing decision-making structures did not allow for decisions to be made quickly which matters such as diversifying would require. The Chair stated that meetings of the Pension Fund Committee could be called at short notice, particularly if there was a requirement to make urgent decisions.

The Independent Advisers referred to the equity allocation and the increase in value of the mandates beyond their strategic allocation. It was therefore essential that mechanisms were in place to allow decisions, for example on re-balancing, to be taken at short notice so that proposals/instructions were actioned.

The Chair invited their suggestions and referred to a previous such suggestion in relation to property investments which would be reported to the next meeting.

The Independent Advisers referred in particular to the Oldfields allocation which, at the end of February 2017, appeared to be 3% above its strategic allocation.

Members of the Committee discussed the suggestions for re-balancing put forward and commented on the need to take a structured view. They explored the benefits of the suggestions and were advised by Aon Hewitt that any re-setting of risk in certain elements of the overall fund was entirely proper and it would be reasonable to retain cash which would make it easier for the Committee to move the money into another fund such as property, should it take such a view at its June 2017 meeting. The Committee considered if adhoc decision-making was appropriate in this instance and upon further advice that, in light of their previous concerns over Oldfields, it would be prudent to hold cash, it was

RESOLVED: (unanimously) That

- (1) Oldfields' global equity allocation be reduced by approximately 2% to their strategic asset allocation and that the sum realised be held in cash;
- (2) Aon Hewitt be requested to submit a report setting out proposals on how the cash could be re-invested both in the short term and strategically.

190. Information Report - External Audit Plan 2016-17

The Committee considered a report of the Director of Finance, which set out the external audit plan for 2016-17 as presented by KPMG to the Council's Governance, Audit, Risk Management and Standards Committee on 31 January 2017.

RESOLVED: That the report be noted.

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

The Committee received a report of the Director of Finance, which summarised the contents of the latest internal controls reports for eight of the Fund's ten investment managers.

An officer introduced the report and made the following minor amendment:

Section 2, page 303 of the agenda, paragraphs relating to Insight Investment and Longview Partners LLP - to amend the year from 2016 to 2017;

The officer added that he considered that the data included in the table titled 'Number of controls tested by each manager and the number of exceptions reported' on page 328 of the agenda was not a major cause for concern that required reporting to the Committee. He responded to questions and confirmed that he was satisfied with the exception report for Standard Life which indicated that there were 11 exceptions noted out of 326 control objectives tested.

RESOLVED: That the report be noted.

192. Information Report - Actuarial and Benefits Services Consultancy and Pension Fund Investment Consultancy - contracts

The Committee received a report of the Director of Finance advising the Committee of the current position of the Council's current contracts in respect of actuarial and investment consultancy services.

An officer introduced the report and informed the Committee that the duration of the Framework Contract was six years and that it would terminate in April 2017. As a result, officers would be extending the contract for a period of five months and report back to the June 2017 meeting of the Committee with a view to a decision on the contract being requested at its September 2017 meeting.

RESOLVED: That the report be noted.

193. Independent Advisers and Co-optee

The Committee received a report of the Director of Finance, which proposed the extension of contracts of the Committee's two independent advisers and that the appointment of a co-optee to the Committee not be continued.

In introducing the report, the Director of Finance stated that the Committee had two established independent advisers and she was recommending that their contracts be renewed. The Committee also received 'professional' advice from the investment adviser, Aon Hewitt, and, as the Committee was well-served for advice, the need for further advice from a co-optee was no longer as great.

The Director of Finance advised that, in order to ensure consistency of advice over the next couple of years, it seemed an appropriate time to review the position of a co-optee to the Committee on the basis that there was a limit to the number of 'advisory' viewpoints which the Committee could be expected to consider.

In response to questions from Members, the Director advised that:

- the allowance for a co-optee, as agreed by full Council, was set at £445 per annum for all co-optees to Committees;
- the current co-optee had requested additional remuneration and had stated that he represented the Council at conferences and other similar events, a role which ought to be performed only by Councillors and officers;
- co-optees on other Council Committees did not receive any additional remuneration and any additional payment to the co-optee on the Committee would be a cost to the Pension Fund, which she considered to be inappropriate.

Members discussed the merits or otherwise of having a co-optee, including the strengths the role brought. Several of them commented that they appreciated the advice and viewpoints provided by the co-optee. They referred to the request made by the co-optee for additional remuneration and asked if this could be negotiated. Members were reminded that the Council's Members' Allowance Scheme, which had been approved by full Council, precluded this. Members discussed issues of the management and role of co-optees and requested further information prior to reaching a decision and it was

RESOLVED: That

- (1) in accordance with their current contracts, Honorary Alderman Richard Romain and Mr Colin Robertson be offered an extension of their contracts as independent advisers to the Committee by two years up to 28 July 2019;
- (2) the consideration of the cessation of a co-optee to the Committee be deferred to the next meeting following the receipt of a report outlining the exact role.

194. Exclusion of 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 reason set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
23/24.	Pension Death Grant Payment/ 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)).

195. Pension Death Grant Payment

The Committee received a confidential report of the Director of Finance, which set out a request from the deceased's parents on the arrangements for the payment of a death grant.

The Chair reported that this case had been deferred from the last meeting to allow further discussion to take place. He added that it would be useful if Members were kept abreast of the progress on this case.

RESOLVED: That recommendations 1-3 set out in the report be approved and Members be informed of the progress made.

196. Information Report - Investment Manager Monitoring

The Committee received a confidential report setting out Aon Hewitt's quarterly report on Harrow's investment managers. All Fund Managers, other than Pantheon, had been rated as either "Buy" or "Qualified". The Pantheon private equity funds had been rated by different criteria and had received a range of ratings.

Dave Lyons, Aon Hewitt, introduced the report and informed the Committee that, essentially, there had been no change in the overall ratings and that the only change was in relation to the component ratings for the managers. In response to a question, he commented that the Fund's fees of 28bps for bonds mandate was not considered high as it was being actively managed.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.00 pm, closed at 9.15 pm).

(Signed) COUNCILLOR NITIN PAREKH
Chair

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PENSION FUND COMMITTEE (SPECIAL) MINUTES

10 MAY 2017

Chair:	* Councillor Nitin Parekh	
Councillors:	* Jo Dooley * Norman Stevenson	* Bharat Thakker
Co-optee (Non-voting):	† Howard Bluston	
Trade Union Observers:	* John Royle	Pamela Belgrave
Independent Advisers:	† Mr C Robertson * Honorary Alderman R Romain	Independent Adviser Independent Adviser

- * Denotes Member present
- † Denotes apologies received

197. Attendance by Reserve Members

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

198. Declarations of Interest

Councillor Norman Stevenson, a Member on the Committee, declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow

Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

199. Deputations

RESOLVED: To note that no deputations were received at this meeting.

RESOLVED ITEMS

200. Local Government Pension Scheme Pooling Arrangements - Proposed Transition of Longview Partners' Mandate

The Committee received a report of the Director of Finance concerning an agreement reached between the London CIV and Longview Partners to make available within the CIV, a sub-fund managed by Longview Partners on the lines of the current mandate awarded to them by the Harrow Fund. The Treasury and Pensions Manager explained the implications of the proposed fees as set out in paragraphs 8 and 9 of the supplemental report; it was estimated that the saving to the Fund would amount to about £200,000 pa. He also outlined the proposed transitional arrangements whereby Russell Investments would provide transition management services at nil cost.

John Royle reiterated concerns expressed by union members about the performance of the Harrow Fund against benchmarks and against the average performance of local government pensions funds; he suggested that recent performance was so poor that there was even a case to invest the funds as cash deposits. Richard Romain, Independent Adviser, explained that there was a duty on those managing the Fund to seek to cover the pension liabilities into the future and this could only be achieved by active investment strategies. He underlined that performance over any short-term period did not undermine the strong case over the long-term for market investment.

Colin Cartwright, Adviser (AON Investments) added that the risk was, in any event, borne by the employers. If the greater returns from active investment were not achieved, then there would be increased pressure on public service budgets through the need to increase employer contributions. In 2015-16, there had been a fall in the markets, but this type of investment was more productive over the long-term period particularly relevant to pension funds. Fund members were paying fixed percentage contributions for defined and guaranteed benefits.

Colin Cartwright explained that the transition project relating to the Harrow Fund's investment in the SICAV carried certain risks and it therefore needed to be managed appropriately. Russells were offering to waive the usual fee for this specialist service because they were keen to win business among LGPS employers and funds.

The Committee debated the tax element of the costs of this transition which would apply. Colin Cartwright advised that this would be due to the change of ownership involved and the re-registration of the relevant stocks. Mr

Romain questioned whether there would, in fact, be a change of legal ownership; he considered that the appropriate test would be whether the “primary beneficial ownership” would alter and he doubted that this would be the case since the local authority employers would remain the *beneficial* owners. Colin Cartwright suggested that the staff at CIV and Longview would have investigated, and taken advice on, this issue in any event. It was agreed that officers should seek clarification of this from Russells and inform Committee members of the outcome.

Colin Cartwright reported that if it was intended to maintain the currency hedge after the transfer to the CIV, then it would be necessary to amend the mandate with Record. This would be addressed in the strategy review to be reported to the Committee on 28 June 2017; it was agreed that the question of the beneficial ownership and tax implications would also be covered.

A Member asked about the Fund’s exposure in terms of currency fluctuations during a period between the transfer of the mandate and the re-establishment of the currency hedge. The Treasury and Pensions Manager advised that any new policy could be implemented within a matter of two or three days. Colin Cartwright added that preparatory work would be undertaken to ensure changes could be expedited. He would explain by email to Committee members how the percentage movements across currencies might impact on the Fund. The Member asked that a risk assessment of this be carried out and Richard Romain suggested that the CIV be asked to produce their risk register.

Richard Romain, Independent Adviser, cautioned the Committee to make a careful judgement of the risks and benefits of the proposals before them in the report. In particular, he sought clarification of the likely costs involved in the currency hedging element of the work. The Committee briefly adjourned between 7.05 pm and 7.08 pm so that officers could check records. When the Committee reconvened at 7.08 pm, the Treasury and Pensions Manager advised that the hedging costs charged for the Record mandate in the previous year had totalled £28,000 at a rate of 0.03%. Richard Romain said that he would therefore recommend that the Committee should agree to maintain contemporaneously the same proportion of currency hedge as at present, namely 50%. Colin Cartwright concurred with this recommendation.

A Member asked about any additional risks to the Fund from political factors such as Brexit. Colin Cartwright advised that until the framework of any agreement with the EU on the terms of the UK’s departure from the union became clearer, it was likely that markets would fluctuate. In terms of currency movements, the Fund could choose to continue the hedging arrangement.

The Chair reported that Howard Bluston, Coopted Member, who had been unable to attend this meeting, had emailed him with his views on the proposals in the report. Mr Bluston had been supportive of the recommendations, agreeing with the proposed appointment of Russells to manage the transition.

The Chair asked whether the saving identified in the report would still accrue to the Fund should other boroughs, particularly Wandsworth and Westminster, decide not to proceed. Colin Cartwright considered their withdrawal was very unlikely given that they had been prime movers in setting up the new CIV arrangements.

RESOLVED: That

- (1) the Fund's current mandate with Longview Partners be transferred to the sub-fund of the London CIV in accordance with the fees and other arrangements as agreed between Longview and the CIV;
- (2) the Fund enter into a one-off transition management agreement with Russell Investments to carry out the transition at nil cost; and
- (3) the same proportion of currency hedge as at present, namely 50%, be maintained contemporaneously.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.17 pm).

(Signed) COUNCILLOR NITIN PAREKH
Chair

REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: **Information Report** – Annual Review of Internal Controls at Longview Partners

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary

The report sets out in summary the contents of the latest internal controls reports from Longview Partners LLP.

FOR INFORMATION

Section 2 – Report

1. The Report of the Auditor on the Pension Fund's 2009-10 Accounts recommended that due diligence be carried out on the strength of the operational controls at investment managers both through a review of internal controls reports and visits to key investment managers. At the November 2010 meeting of the, then, Pension Fund Investment Panel a template was introduced as a basis for measuring the level of assurance provided by the operational structure supporting each mandate.
2. Operational controls of investment managers relate to the procedures in place to safeguard the Fund's assets against loss through error or fraud and to ensure that client reporting is accurate. Poor operational controls can also hamper the management of the assets leading to reduced returns or increased costs. Should there be a lack of evidence that controls operated by investment managers are robust the continued appointment of the manager would be questionable.
3. Each of The Fund's investment managers prepares an annual report having regard to the International Standard on Assurance Engagements 3402 (ISAE 3402), issued by the International Auditing and Assurance Standards Board, the Technical Release AAF 01/06 (AAF 01/06), issued by the Institute of Chartered Accounts in England and Wales and the control objectives for their services and information technology.
4. Under these protocols the directors/partners of each manager prepare a report focussing on key environmental, business and process issues and make commitments along the following lines:
 - the report describes fairly the control procedures that relate to their stated control objectives;
 - the control procedures are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
 - the control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified.
5. Each of the managers has engaged a leading firm of auditors to report on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives.
6. At their meeting on 7 March 2017 the Board received a summary of the findings from the most recent reviews as provided by eight of the Fund's ten investment managers. Since the Board met a report has been received from Longview Partners LLP in respect of the year ended 31 December 2016 the key points from which are given below. Insight Investment have advised that their report for the year ended 31 December 2016 will be available shortly and a summary will be provided for the Board at their next meeting.

Longview Partners

The report carried out by Ernst & Young LLP entitled “AAF 01/06 Assurance Report on Internal Controls for the year to 31st December 2016” included the following:

In the auditor’s opinion, in all material respects:

- a.) the description on pages 6 to 8 fairly presents the service organisation activities that were designed and implemented throughout the period from 1st January 2016 to 31st December 2016;
- b.) the controls related to the control objectives stated in the description on pages 9 to 10 were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls operated effectively throughout the period 1st January 2016 to 31st December 2016;
- c.) the controls that we tested were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives stated in the description were achieved throughout the period 1st January 2016 to 31st January (sic) 2016.

Of the 106 controls tested by the auditor, 2 exceptions were identified:

Control 4.6.1.3 – The evidences provided from the ticketing tool captured the authorisation of the change; however, these did not formally capture the testing and approved steps before deployment of the changes to production.

Mitigating controls or factors: Management performed retrospective reviews of all seven (7) changes during the reporting period and obtained written confirmation from the business owners/approvers that they had approved these changes to go into production.

Management Response: Whilst we are confident that all changes were correctly tested, approved and deployed, we agree that the Change Management ticketing system should be improved to more accurately record each stage of the change. We will implement this improvement in the coming year.

Control 4.6.1.4 – For internally developed systems, the developers move code changes to UAT and to production and therefore could bypass the Change Management process. Additionally, they have privileged access at the operating system, database and application levels, and hence, they could add, amend and remove their own access.

Management Response: Longview understands the importance of the segregation of duties for developers, however given the multifaceted role of our IT team, pure segregation of duties is unachievable. Longview has controls in our downstream processes which would highlight any unplanned changes to our internally developed systems.

Financial Implications

7. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

Risk Management Implications

8. The risks arising from investment performance are included in the Pension Fund risk register.

Equalities implications

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

Council Priorities

10. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	5 June 2017		

Ward Councillors notified:	NO
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Section 4 - Contact Details

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

Background Papers - None

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REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: Information Report – Pension Fund Risk Register

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix - Risk Register

Section 1 – Summary

Attached to this covering report as an appendix is a revised risk register for the Pension Fund on which the Board's comments are invited.

FOR INFORMATION

Section 2 – Report

1. In accordance with best practice the Pension Fund has had in place a risk register which was first considered by the Pension Fund Committee in March 2015.
2. In 2016 the register was reviewed and the current version was agreed by the Committee on 21 June 2016.
3. Now that a further year has passed it is appropriate to review the register again and for input from the Board to be considered.
4. An updated version is attached on which the Board's comments are invited. The Board's attention is particularly drawn to the three "red" risks numbered 24, 25 and 26.

Financial Implications

5. The proper management of risk plays a key role in the successful financial management of the Pension Fund

Risk Management Implications

6. Risk management is the subject of this report.

Equalities implications

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

Council Priorities

10. The performance of the Pension fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Director of Finance

Date: 7 June 2017

Ward Councillors notified:

NO

Section 4 - Contact Details

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

Background Papers - None

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PENSION FUND RISK REGISTER

LIKELIHOOD				
A Very high				
B High			24, 25, 26	
C Significant	44	15, 17, 23		
D Low	27, 41	2, 3, 8, 11, 16, 18, 19, 30, 49	1, 13, 14, 22	
E Very Low	29, 42, 43, 48	4, 9, 10, 35, 36, 38, 40, 45, 47, 50, 51, 52, 53, 54, 55, 57, 58	5, 6, 7, 12, 21, 28, 31, 32, 33, 34, 37, 39, 46, 59, 60	
F Almost Impossible			20, 56	

1 Catastrophic Impact / Exceptional Benefit

2 Critical Impact / Major Benefit
 3 Marginal Impact / Minor Benefit
 4 Negligible Impact/Benefit

IMPACT

DEFINITION OF TERMS

LIKELIHOOD

A Very high	Greater than 80% (almost certainly will occur)
B High	51-80% (more likely to occur than not)
C Significant	25-50% (fairly likely to occur)
D Low	10-24% (low, but could occur)
E Very Low	3-9% (extremely unlikely)
F Almost Impossible	0-2%

IMPACT

Catastrophic	Services could not be sustained or major project fails to deliver
Critical	Serious disruption to services
Marginal	Small effect on services
Negligible	Trivial effect on services

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	REGULATORY								
1	Changes to national pension requirements and/or HMRC rules not being implemented	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
2	Time, cost and/or reputational risks associated with the Section 13 analysis.	Advice is taken from the Actuary to ensure that the valuation and administration approaches are in accordance with best practice.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
3	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them as appropriate including amending strategies as appropriate.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
4	Failure to make appropriate and timely investments in the London Collective Investment vehicle to satisfy Government requirements.	Progress on the development of the CIV and the Fund's relationship with it are reviewed at every meeting of the Pension Fund Committee. An investment strategy has been agreed and is reviewed regularly.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
	GOVERNANCE								
5	Those charged with governance of the Fund are unable to fulfil their responsibilities effectively	The Pension Fund Committee including a co-optee and as advised by an Investment Adviser, two independent advisers and officers is a properly constituted Committee of the Council and is able to exercise governance of the Fund in a robust manner	E2	E2	Whilst the governance of the Fund is considered to be of a high standard there remains an aspiration to improve	Treasury and Pension Fund Manager	E3	2018	Director of Finance
6	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Whilst the knowledge of the Committee Members is considered to be of a high standard there remains an aspiration to improve.	Treasury and Pension Fund Manager	E3	2018	Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
7	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment adviser with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, has made a number of requests for specific reports from them. Advice is delivered by formal meetings and recorded appropriately.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
8	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers. Use of external advisers where appropriate.	D3	D3	Improvements are constantly sought and the staff currently in post exhibit the potential for improvement.	Treasury and Pension Fund Manager	E3	2018	Director of Finance
9	Failure to adhere to relevant statutory regulations including updates from LGPS	Investment and Administration sections review DCLG website, other literature and have networking arrangements to ensure they remain up-to date. Sufficient resources are in place to implement LGPS changes while continuing to administer the scheme. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
10	Non-compliance with LGPS investment regulations on permitted investments	Investment Strategy Statement and investment management mandates are structured to ensure compliance. Robust monitoring arrangements for investment managers are in place.	D3	E3	Regular review of regulations should ensure improvement	Treasury and Pension Fund Manager	E3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
11	Failure to make provision for the proper oversight of the administration of the Fund	The appointment of the Pension Board assists in the provision of oversight.	D3	D3	The development of the Pension Board should lead to improvements	Treasury and Pension Fund Manager	E3		Director of Finance
	FUNDING - ASSETS AND LIABILITIES								
12	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
13	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling allows for the probability of the fall in returns on Government bonds within a long term context	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
14	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy Statement is regularly reviewed in line with the triennial valuation with the main objective of ensuring the long term solvency of the Fund.	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
15	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
16	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	C3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
17	Other demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed.	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance
18	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
19	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
20	Insufficient assets to meet short and medium term liabilities	Including investment income the Fund currently achieves an annual surplus. Medium term requirements are being reviewed. Cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments can be accessed relatively quickly.	E2	F2		Treasury and Pension Fund Manager	F2		Director of Finance
21	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	FUNDING - INVESTMENT STRATEGY								
22	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Investment strategy options are considered as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its allocation strategy.	D2	D2		Treasury and Pension Fund Manager	D2		Director of Finance
23	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. On a quarterly basis progress against de-risking triggers is measured to consider whether any action required	C3	C3		Treasury and Pension Fund Manager	C3		Director of Finance
24	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
25	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Regular dialogue is maintained with the investment advisers and managers; the Committee meets the managers once a year and officers meet them on at least one further occasion. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required.	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance
26	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	B2	B2		Treasury and Pension Fund Manager	B2		Director of Finance
27	Fees and charges of investment managers, actuary and investment adviser are excessive.	Both at tender stage and throughout the contracts charges which are value for money are sought and challenged when appropriate. Fees and charges are identified in the Annual Financial Statement and specifically highlighted for the Pension Fund Committee to consider. The influence of the CIV should lead to reduction in fees and charges.	D4	D4	In June 2016 the Fund received a report from CEM Benchmarking comparing its fees and charges for investment management with other funds. This report and the requirements for pooling arrangements will be used to seek savings	Treasury and Pension Fund Manager	E4	2018	Director of Finance
28	Losses arise due to currency fluctuations	The Council has established a currency hedging strategy covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
29	Transition costs may be unexpected or excessive	The Administering Authority has significant experience of the transition process and has sufficient professional advice available to it to mitigate this risk.	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance
30	Environmental, social and governance issues reduce the Fund's abilities to generate long term returns	The Fund expects its managers to act in the best financial interests of the Fund which involves the effects of ESG issues on the performance of companies in which they invest	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
						Treasury and Pension Fund Manager			Director of Finance
	SECURITY					Treasury and Pension Fund Manager			Director of Finance
31	Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets	E2	E2	Whilst this risk is outside the Fund's control, most of the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	Treasury and Pension Fund Manager	F2	N/A	Director of Finance
32	Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
33	Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2	E2	The heavy fine recently imposed on one of the most significant custodians suggests that the likelihood of the risk being realised cannot be reduced	Treasury and Pension Fund Manager	E2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
34	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
35	Counterparty default in stock lending programme.	Programme managed by experienced investment manager, State Street Global Advisors with risk controls over custody arrangements, counterparty credit worthiness, exposure limits and collateral agreements in place	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
36	Investments may not be accurately valued	Investments are valued using best current practice as agreed with the investment managers. Valuations reported to Pension Fund Committee	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	OPERATIONAL								
37	Major emergency or system failure	Business Continuity Plan in place	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
38	Failure of pensions administration IT systems	Adequate IT systems and support in place supported by a robust Business Continuity Plan	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
39	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
40	Failure to comply with LGPS pensions benefits regulations (eg as a result of incorrect benefit calculations and the holding of incorrect data)	Proper administration procedures in place supported by independent internal and external audit review of internal control arrangements	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
41	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pension Fund Manager	D4		Director of Finance
42	Life events relating to scheme members eg joining the scheme, transfers in and out and retirements are not processed and recorded properly in accordance with scheme rules	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance
43	Failure to pay lump sums on time	Procedure notes describing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post	E4	E4		Treasury and Pension Fund Manager	E4		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
44	Overpayments made	Most overpayments result from deaths not being notified. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative.	C4	C4		Treasury and Pension Fund Manager	C4		Director of Finance
45	Standing member and other data and permanent records are not accurate or do not reflect changes in circumstances	Business processes are in place to identify changes to standing data. Records are supported by appropriate documentation; input and output checks are undertaken; reconciliations are carried to between input and source records. Documentation is maintained in line with agreed policy. Data matching exercises (National fraud Initiative) identifies some discrepancies.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
46	Breach of data protection legislation.	Data security protocol	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
47	Employers' failure to carry out their responsibilities for scheme administration.	Regular communication and guidance to employers on scheme matters	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
48	Failure by AVC providers to provide proper services to the Pension Fund.	Regular reviews undertaken.	E3	E4		Treasury and Pension Fund Manager	E4		Director of Finance
49	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D3		Treasury and Pension Fund Manager	D3		Director of Finance
50	Increase in workload for employers	Maintain close relationships with employers to make them aware of likely changes. Encourage employers to take account of pensions issues when considering restructuring or contracting out. Keep abreast of new developments. Work closely with software suppliers and ICT services to manage developments and planned maintenance to minimise impact	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
51	Failure to communicate or engage with Pension Fund stakeholders	Maintain a communication and governance strategy and Governance Compliance Statement subject to regular review. Utilise a range of formal and informal communication routes with stakeholders	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
52	Increasing use of new methods of service provision eg academies, free schools without full understanding of pensions implications	Ensure all employers are aware of pensions implications and of associated legislation and guidance	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
53	Employees opting out of the scheme voluntarily	Effective communication helps members to make properly informed decisions about membership ensuring that they understand the value of membership.	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
54	Administering Authority unaware of structural changes in an employer's membership (eg large fall in employee numbers, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards eg for submission of data. The Actuary may revise the Rates and Adjustments Certificate to increase an employer's contributions between triennial valuations. Deficit contributions are expressed as monetary amounts	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
55	Default by a participating employer	Ongoing liabilities managed through the triennial valuation process. Periods allowed to repay deficits are set depending on the value of the employer's covenant and linked to contract periods for transferee employer bodies. Any cessation lump sum required from an employer leaving the Fund is calculated on a minimum risk basis by the Actuary. Major employers are "scheduled" in regulations and backed by long term tax receipts and the constitutional permanence of local government	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
56	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	System of close monitoring of employers in place and, if active membership decreases, arrangements are reviewed.	F2	F2		Treasury and Pension Fund Manager	F2		Director of Finance

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
57	An employer ceasing to exist with insufficient funding or adequacy of a bond.	Seeking a funding guarantee from another scheme employer or external body wherever possible or a bond from a new employer. Vetting prospective employers before admission and alerting them to their obligations and sources of advice. Reviewing bond or guarantor arrangements at regular intervals and, if appropriate, reviewing contributions well ahead of cessation	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
58	Inability or refusal of an employer to pay cessation valuation	Action through courts	E3	E3		Treasury and Pension Fund Manager	E3		Director of Finance
59	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pension Fund Manager	E2		Director of Finance
	ACCOUNTING								
60	Failure to comply with Pension Fund accounting requirements.	Sufficient properly qualified and trained staff are employed to carry out processes; knowledge is maintained via written guidance, networks, professional press and training. Accounting, management and administration processes are maintained in accordance with legislation and external regulations and the Council's Financial Regulations. Regular reconciliations are carried out between in-house records and those maintained by external custodian and investment managers. Internal audit reviews. External Audit annual review	E2	E2	Improvements are constantly sought and with the staff currently in post are being achieved.	Treasury and Pension Fund Manager	E2		Director of Finance

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REPORT FOR: PENSION BOARD

Date of Meeting: 20 June 2017

Subject: Information Report – Work Programme
2017-18

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary

This report invites the Board to comment on a suggested work programme up to the end of the 2017-18 financial year.

For Information

Section 2 – Report

1. At its meeting on 2 November 2016 the Board considered a work programme for the remainder of the 2016-17 financial year which, together with an update on the Board's current position, is as follows:

Matter for Consideration	Board Position
Results of triennial valuation	Considered reports with presentations from Actuary on 2 November 2016 and 7 March 2017
Funding Strategy Statement	Considered draft Statement on 7 March 2017
Long term cashflow and funding	To be considered by Pension Fund Committee on 28 June 2017 and Board on 12 September 2017
Investment Strategy Statement	Considered draft Statement on 7 March 2017
Governance Compliance Statement	Considered draft Statement on 7 March 2017
Communications Policy Statement	Considered draft Statement on 7 March 2017
Latest Pension Fund Committee Meeting	Considered at each meeting of Board
Pensions Administration – Performance monitoring	Proposals made to Board meeting on 7 March 2017 to be developed further on 20 June 2017
Review of Internal Controls at fund managers	Eight reports considered at meeting on 7 March with remaining two to be considered on 20 June 2017 and 12 September 2017
Risk Register	To be considered on 20 June 2017
External Audit Plan	Report received on 7 March 2017
Training Programme 2017-18	Considered on 2 November 2016
Environmental, Social and Governance Issues	To be considered at future meetings
Policy for Reporting Breaches of the Law	Considered draft Policy on 7 March 2017

2. A suggested work programme for the remainder of 2017-18 on which the Board's comments are invited is as follows:

28 June 2017 – Pension Fund Committee

All members of the Board are invited to attend the training session/discussion on the development of the London Collective Investment Vehicle starting at 17.30 and the Committee at 18.30.

18 September 2017 – Pension Fund Committee

All members of the Board are invited to attend the training session starting at 17.30 and the Committee at 18.30.

11 October 2017 – Meet the Managers Day

All members of the Board are invited to discussions with five of the Fund's investment managers starting at 14.00 and finishing at 19.00.

21 November 2017 – Pension Fund Committee

All members of the Board are invited to attend the training session starting at 17.30 and the Committee at 18.30.

7 March 2018 – Pension Fund Committee

All members of the Board are invited to attend the training session starting at 17.30 and the Committee at 18.30.

Meetings of Pension Board on 12 September and 8 November

- Implementation of changes to Terms of Reference
- Annual Report to Council
- Annual Report and Financial Statement for year ended 31 March 2017 including External Audit report
- Long term cashflow and funding
- Revised Investment Strategy Statement
- Latest Pension Fund Committee Meeting
- Pensions Administration – Performance monitoring
- Review of Internal Controls at fund managers
- Environmental, Social and Governance Issues
- Training Programme 2018

Financial Implications

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

Risk Management Implications

4. The Pension Fund has its own risk register .which covers all risks which might arise from this report.

Equalities implications

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

Council Priorities

5. Whilst the financial health of the Pension Fund and the employer's contribution affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	5 June 2017		

Ward Councillors notified:	NO
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Section 4 - Contact Details

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

Background Papers - None