

Pension Board AGENDA

DATE: Tuesday 12 September 2017

TIME: 2.00 pm

VENUE: Committee Rooms 1 & 2, 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>.

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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 4 September 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. 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.

3. MINUTES (Pages 5 - 10)

That the minutes of the meeting held on 13 July 2017 be taken as read and signed as a correct record.

4. 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 7 September 2017. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. PETITIONS

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

6. DEPUTATIONS

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

7. INFORMATION REPORT - ANNUAL REVIEW OF INTERNAL CONTROLS AT INSIGHT INVESTMENTS (Pages 11 - 14)

Report of the Director of Finance

8. INFORMATION REPORT - KNOWLEDGE AND UNDERSTANDING OF LOCAL GOVERNMENT PENSION SCHEME (Pages 15 - 66)

Report of the Director of Finance

9. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION BOARD: DRAFT ANNUAL REPORT TO COUNCIL (Pages 67 - 72)

Report of the Director of Finance

10. LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

Presentation on pooling arrangements from representatives of London Collective Investment Vehicle

11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES - APPROACH OF THE LONDON COLLECTIVE INVESTMENT VEHICLE

Presentation from Representatives of London Collective Investment Vehicle

12. INFORMATION REPORT - PENSION FUND COMMITTEE MEETING ON 28 JUNE 2017 (Pages 73 - 88)

Report of the Director of Finance

13. ANY OTHER BUSINESS

Which cannot otherwise be dealt with.

AGENDA - PART II

Nil

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 4 (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.]

PENSION BOARD MINUTES

13 JULY 2017

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

* Denotes Member present

93. Attendance by Reserve Members

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

94. Appointment of Chair

RESOLVED: That Richard Harbord be appointed as Chair for the 2017/18 municipal year.

95. Appointment of Vice-Chair

RESOLVED: That Gerald Balabanoff be appointed as Vice Chair for the 2017/18 municipal year.

96. Declarations of Interest

RESOLVED: To note that there were no declarations of interests.

97. Minutes

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

98. Public Questions

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

99. Petitions

RESOLVED: To note that no petitions had been received.

100. Deputations

RESOLVED: To note that no deputations had been received.

RESOLVED ITEMS

101. Local Pension Board Survey

The Board received a report which sought its views on a survey being conducted by the Local Government Association.

The Board discussed the proposed responses, noting that responses from both Boards and the Chairs had been requested. In terms of the responses the following comments were made:

- The Board was working well in relation to the Annual Report, the relationship between the Chair of the Board and the Pension Fund Committee, holding the Committee to account and there was a good working relationship between members of the Board.
- In terms of examples where improvement could be made it was suggested that holding the Committee to account could be strengthened. In addition, a forward plan of work to inform the Board what the Committee were due to consider and improved /targeted training opportunities would be beneficial, for example in relation to pooling and the impact it would have on the Board's operations. It was further commented that the Board should monitor its key performance indicators and perhaps have its own small risk register.
- The Board provided scores for questions 17 and 23 indicating that some responses required additional notes/ caveats.
- Officers should clear the agenda for the Board with the Chair.

- Questions 34 and 35 were contradictory.
- The Board would like greater clarity on how to access independent advice.

The officer undertook to complete the survey in light of the Board's comments and to then forward it to the Chair for review prior to submission.

RESOLVED: That the report be noted.

102. Information Report - Performance Monitoring of Pensions Administration Service

The Board received a report which presented performance monitoring information and sought views on whether the Council should subscribe to the CIPFA benchmarking service for Pensions Administration.

The Board discussed the potential added value of the service, noting that few London Boroughs subscribed. It was suggested that such information could be gained via a different means eg London officer networks and therefore the Council should not subscribe to the service.

Referring to the performance monitoring information set out in paragraph 12 of the report it was suggested that an additional column showing the 'actual' against the 'national target' would be beneficial.

RESOLVED: That the report be noted.

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

The Board received a report which invited comments on the Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017.

The officer reported that the External Audit was due to be completed in 6 days and to date there had been no issues raised on the Pension Fund Account. As a new officer to Harrow, he advised that he had been impressed with the quality of the working papers.

In response to a question in relation to the payment of employers contributions, the officer advised that he was not aware of any employers being in arrears. He noted the comment that if any were in arrears that this should be included in the Annual Report.

RESOLVED: That the report be noted.

104. Information Report - Pension Fund Committee Meetings on 7 March 2017 and 10 May 2017

The Board received a report which set out matters considered by the Pension Fund Committee at their meetings on 7 March 2017 and 10 May 2017.

The Board noted that there had been discussion in relation to the non voting co optee on the Committee and were advised that Council would make a decision on this matter in September 2017.

The officer undertook to provide an update on Economic, Social and Governance issues at the next meeting.

RESOLVED: That the report be noted.

105. Information Report - Annual Review of Internal Controls at Longview Partners

The Board received a report which set out the summary contents of the latest internal controls reports from Longview Partners LLP.

The Board expressed concern at the management response to control 4.6.1.4. The officer undertook to raise this at the next meeting of the CIV and to report back.

RESOLVED: That the report be noted.

106. Information Report - Pension Fund Risk Register

The Board received a report and revised risk register on which they were invited to comment.

The Chair stated that the role of the Board was to mitigate risks. Another member of the Board stated that it was not the Board's role to ensure that the future was funded but that he had no issue with the risk register. He did, however, suggest that 'diversification' be included in the 'controls underway' column.

RESOLVED: That the report be noted.

107. Information Report - Work Programme 2017-18

The Board were invited to comment on the suggested work programme up to the end of 2017-18 financial year.

It was commented that work on Economic, Social and Governance issues was required. It was also noted that it was likely than an additional meeting of the Board would be required prior to the March 2018 Pension Fund Committee.

RESOLVED: That the report be noted.

108. Any Other Business

A Board Member sought clarification on the timeliness of the despatch of the Annual Statements. The officer responded that the statements had been sent out on time. It was suggested that this be reflected in the responses to the CIPFA survey which had appeared elsewhere on the agenda.

(Note: The meeting, having commenced at 12.34 pm, closed at 1.55 pm).

(Signed) RICHARD HARBORD
Chair

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REPORT FOR: Pension Board

Date of Meeting: 12 September 2017

Subject: **Information Report** – Annual Review of Internal Controls at Insight Investments

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 Insight Investments, reviewed by KPMG.
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 Accountants 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. On 20 June the Board received a summary of findings from Longview Partners LLP in respect of the year ended 31 December The final manager control review report for. Insight Investment for the year ended 31 December 2016 is summarised in this report.

Insight Investments

The report carried out by KPMG LLP to review the “ISAE 340 /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 10 to 52 fairly presents the investment management 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 10 to 52 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 December 2016.

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



Director of Finance

Date: 30 August 2017

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager 0208
424 1432

Background Papers - None

REPORT FOR: Pension Board

Date of Meeting: 12 September 2017

Subject: Knowledge and Understanding of Local Government Pension Scheme

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Local Pension Board – A technical Knowledge and Skills Framework: CIPFA/Barnett Waddingham

Section 1 - Summary

Summary

The Board are asked to note the requirements in respect of knowledge and understanding of the Local Government Pension Scheme as set out by CIPFA and The Pensions Regulator and consider how they wish to comply with these requirements.

For information

Section 2 – Report

1. At their first meeting on 25 June 2015 the Board were advised of the publication *Guidance on the creation and operation of Local Pension Boards in England and Wales*, Section 6 by the, then, Shadow Advisory Board. This Section referred to the Pension Act 2004 and specifically to the requirement that:
An individual to whom this section applies [Member of a Pension Board] must be conversant with—
(a) the rules of the scheme, and
(b) any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.
An individual to whom this section applies must have knowledge and understanding of—
(a) the law relating to pensions, and
(b) such other matters as may be prescribed.
The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.
2. The Board agreed that, initially, they would seek to comply with these requirements by receiving relevant documentation and attending a customised introductory course on various aspects of the Local Government Pension Scheme to be provided by Aon Hewitt.
3. The course was presented on 27 August 2015 and all members of the Board were able to attend. Matters covered were:

Governance and Key Legislation

- The Legislative Framework
- Structure and Governance of the LGPS
- Key Governance Requirements
- LGPS Contributions and Benefits
- Current Hot Topics

Actuarial and Funding Matters

- Introduction to Actuaries and Actuarial Work
- Triennial Actuarial Valuation
- Funding Strategy and Intervaluation Monitoring
- Employers in the Fund
- Bulk Transfers
- Pension Accounting and Auditing
- Actuarial Hot Topics

Investment

- Investment Strategy and Financial Markets
- Investment performance and Risk Management
- Financial Services Procurement

4. Since this presentation additional ad hoc training has been offered including:

Board Meetings

- Triennial valuation – presentations by the Actuary at each meeting in 2016

Invitation to Pre-meeting Training of Pension Fund Committee

- Triennial valuation
- Environmental, Social and Governance issues
- Infrastructure

Seminars

- Local Pension Boards – One Year On

5. Whilst the training offered to date has probably complied with the basic requirements it is important for Board members to keep up to date and to compare their current levels of knowledge and skills against best practice as recommended by CIPFA and The Pensions Regulator.
6. Guidance is available via the CIPFA publication *local pension boards – A Technical Knowledge and Skills Framework* attached to this report. The *Framework* includes as its Annex A *Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14*.
7. Board members are invited to contact the Treasury and Pensions Manager if they feel that they could benefit from further training.
8. Courses for Board members are available commercially with some of the most appropriate likely to be provided by CIPFA/Barnett Waddingham, Aon Hewitt, Hymans Robertson, Mercer and PLSA.
9. It is recommended that a refresher training day is held for all Pension Board Members

Financial Implications

10. The cost of any training will be met from the Pension Fund.

Risk Management Implications

11. The purpose of this report is to remind the Board of their knowledge and skills responsibilities to enable them to carry out their duties effectively.

Equalities implications

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

Council Priorities

13. 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 Director of Finance

Date: 30 August 2017

Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager 0208
424 1432

Background Papers - None

local pension boards

A Technical Knowledge and Skills
Framework

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Waddingham**
a true partnership approach



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local pension boards

A Technical Knowledge and Skills
Framework

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Acknowledgements

This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

Bob Summers (Chairman) – Independent Consultant

Paul Dale – London Borough of Merton

Geoff Dobson – Suffolk County Council

Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

Nicola Mark – Norfolk Pension Fund

Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

The Panel would also like to acknowledge the role of the publication's sponsor, Barnett Waddingham, in helping to ensure that this key piece of guidance is available across the Local Government Pension Scheme.

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1. Purpose, Scope and Status of this Guidance

PURPOSE

- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*¹, as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
 - (a) *the rules of the scheme, and*
 - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
 - (a) *the law relating to pensions, and*
 - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)². The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing³. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.'*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
 - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
 4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
 5. The organisation has designated a named individual⁴ to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator’s *Code of Practice No 14* as set out in paragraph 38 of that Code⁵.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA’s *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator’s *Code of Practice No 14* states:
‘Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.’

2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011⁶.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager⁸ to establish a pension board to assist the scheme manager in relation to the following:

- (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
- (c) such other matters as the scheme regulations may specify.'*

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'*

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS⁹. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.*

3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate).*’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

- 3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

- 3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

3.19 In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules.

Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board members.

Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

<p>Pensions administration</p>	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider’s investment and fund performance report and the payment schedule for such arrangements.</p>
<p>Pensions accounting and auditing standards</p>	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
<p>Pensions services procurement and relationship management</p>	<p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
<p>Investment performance and risk management</p>	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

Financial markets and products knowledge	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Actuarial methods, standards and practices	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 5.1** This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2** As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator’s *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3** The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

- 5.4** Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
- how the knowledge and skills framework has been applied
 - what assessment of training needs has been undertaken
 - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator’s *Code of Practice No 14*¹⁰ and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- ‘Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.’*
- 5.7 The Pension Regulator’s policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes (2015)*¹¹.
- Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator’s Code of Practice 14 state that:

‘A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.’

11. www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
 - Individual local pension board member knowledge, understanding and skills assessment.
 - Training plan/programme development.
 - **Training**
 - Pre-appointment and induction training.
 - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
 - Ongoing and subject specific training such as regulatory changes and triennial valuations.
 - Annual refresher training and updates.
 - Member requested training.
 - Bespoke and open courses aimed at retention of knowledge and development of best practice.
 - **Support and mentoring**
 - Ongoing local pension board member mentoring, coaching and support.
 - BWebstream document access and storage system.
 - Training and support materials.
 - **Monitoring and reporting**
 - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> ■ the law relating to pensions ■ any other matters which are prescribed in regulations. 		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14? Nature of requirement

Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)

Areas of knowledge and understanding required

	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
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Degree of knowledge and understanding required

	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)

Acquiring, reviewing and updating knowledge and understanding

Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: <ul style="list-style-type: none"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		<p>Appropriate financial experience and training.</p> <p>Knowledge of pension funds and schemes.</p> <p>Demonstrable evidence of knowledge kept up-to-date.</p>
2. Work experience	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
3. Abilities, intelligence and special aptitudes	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
4. Adjustment and social skills	<p>Able to establish good working relationships with board members, councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Able to achieve consensus when conflicting views arise.</p> <p>Able to challenge in a constructive manner.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

Local pension boards: establishment

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

- (a) *to secure compliance with—*
- (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme^(a), and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) *Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.*
- (7) *Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative^(b).*
- (8) *A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.*
- (9) *The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.*

Local pension boards: membership

- 107.**—(1) *Subject to this regulation each administering authority shall determine—*
- (a) *the membership of the local pension board;*
 - (b) *the manner in which members of the local pension board may be appointed and removed;*
 - (c) *the terms of appointment of members of the local pension board.*
- (2) *An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and*
 - (b) *a person to be appointed to the local pension board as a member representative has the capacity to represent members.*
- (3) *Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—*
- (a) *no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and*
 - (b) *any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.*
- (4) *Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be designated as an employer representative has the capacity to represent employers; and*

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

Local pension boards: conflict of interest

- 108.**—(1) *Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest^(a).*
- (2) *An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*
- (3) *A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).*
- (4) *A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).*

Local pension boards: guidance

109. *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) *See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.*

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan	
Do I possess...?	Training requirements	Training plan (sources and timing)
3 – Pensions administration		
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5	
Understanding of the required and adopted scheme policies and procedures relating to:	1 2 3 4 5	
<ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes 		
<ul style="list-style-type: none"> ■ internal dispute resolution 		
<ul style="list-style-type: none"> ■ contributions collection 		
<ul style="list-style-type: none"> ■ scheme communication and materials. 		
Knowledge of how discretionary powers operate.	1 2 3 4 5	
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Training requirements	Training plan (sources and timing)
Rate my skills		
1 – no knowledge		
5 – highly skilled		
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	<p>1 2 3 4 5</p>	
4 – Pensions accounting and auditing standards		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role played by third party assurance providers.</p>	<p>1 2 3 4 5</p>	
5 – Pensions services procurement and relationship management		
<p>An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
	1 – no knowledge 5 – highly skilled	Training plan (sources and timing)
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5	
6 – Investment performance and risk management		
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5	
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Training requirements	Training plan (sources and timing)
Rate my skills 1 – no knowledge 5 – highly skilled		
7 – Financial markets and products knowledge		
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5	
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5	
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5	
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5	
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	



Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

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REPORT FOR: Pension Board

Date of Meeting: 12 September 2017

Subject: Information Report - London Borough of Harrow Pension Board: Draft Annual Report to Council 2017

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosure: Draft Annual Report to Council 2017

Section 1 – Summary

This report reminds the Board of the need to prepare a report on their work to be presented to the Full Council on 30 November 2017 and provides an initial draft written by officers which they may find useful.

Section 2 – Report

1. The Terms of Reference of the Board require them to present a report on their work to the Full Council once a year. Their first report was presented to the Council on 1 December 2016.
2. It is for the Board to write their own report but officers can assist, certainly with the factual content.

3. Attached is an initial draft which the Board may wish to use as the basis of their report. They are invited to consider their report over the next few weeks and agree it at their next meeting on 8 November 2017.

Financial Implications

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

Risk Management Implications

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

Equalities implications

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	30 August 2017		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager 0208 424 1432

Background Papers - None

DRAFT

LONDON BOROUGH OF HARROW PENSION BOARD ANNUAL REPORT TO COUNCIL 2017

Background

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

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

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

Meetings

We held our first meeting on 25 June 2015 and Richard Harbord and Gerald Balabanoff were re- appointed as Chair and Vice-Chair respectively for the remainder of the 2016-17 Municipal Year. Richard and Gerald were re-appointed to their posts on 28 June 2016

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

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

Themes arising during the year were:

Role and Terms of Reference

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

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

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

Knowledge and Understanding of the Local Government Pension Scheme

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

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

Relationship with Pension Fund Committee

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

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

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

Annual Report and Financial Statements

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

- Actuarial assumptions and actuarial valuation results
- Employer contributions
- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process
- The effectiveness of investment managers internal controls
- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)

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

Investment and Management Expenses

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

Benchmarking and key performance indicators

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

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

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

Environmental, Social and Governance Issues (ESG)

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

Training

Pension Board has requested further trainings to cover the following:

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

Conclusion

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

The main provisions are:

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

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

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

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

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

REPORT FOR: Pension Board

Date of Meeting:	12 September 2017
Subject:	Information Report - Pension Fund Committee Meeting on 28 June 2017
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards Affected:	All
Enclosures:	Minutes of Pension Fund Committee 28 June 2017

Section 1 – Summary

Summary

The report sets out the matters considered by the Pension Fund Committee at their meetings on 28 June 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 28 June 2017

- Draft Annual Report and Financial Statements for the Year ended 31 March 2017
- Investment Strategy and Property Strategy Asset Allocation Review
- Local Government Pension Scheme Pooling Arrangements Update
- Performance Measurement Services

- Update on Regular Items:
 - Draft work programme
 - Performance of fund managers
 - Issues raised by Pension Board
- Annual Review of Internal Controls at Investment Manager Longview Limited
- Actuarial and Benefits Services Consultancy and Pension Fund Investment Consultancy – Contracts
- Role of Co-optee
- Quarterly Trigger Monitoring Q1 2017
- Pension Fund Risk Register Review
- Pension Board Survey
- Investment Manager Monitoring

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 type="checkbox"/>	Director of Finance
Date:	30 August 2017		

Ward Councillors notified:

Not applicable

Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager 0208
424 1432

Background Papers - None

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PENSION FUND COMMITTEE

MINUTES

28 JUNE 2017

Chair:	* Councillor Nitin Parekh	
Councillors:	* Kairul Kareema Marikar	* Bharat Thakker
	* Norman Stevenson	
Trade Union Observers:	John Royle	Pamela Belgrave
Independent Advisers:	* Mr C Robertson	Independent Adviser
	* Honorary Alderman R Romain	Independent Adviser
Others:	* Colin Cartwright	Aon Hewitt
	* Joe Peach	Aon Hewitt
	* Howard Bluston	

* Denotes [Member] present

201. Welcome

The Chair welcomed Councillor Kairul Kareema Marikar to her first meeting of the Pension Fund Committee.

202. Attendance by Reserve Members

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

203. Howard Bluston

RESOLVED: That it be noted that in light of the report at agenda item 16 – Role of Co-optee - Howard Bluston, a former co-optee on the Committee, be invited to participate in the meeting.

204. Declarations of Interest

RESOLVED: To note that the following interests were declared:

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 Items 16- 23

Howard Bluston, a former non-voting co-optee on the Committee, who was invited by the Committee to participate in the meeting, 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 annual workshop. At the time of the consideration of agenda item 14 – Performance Measurement Services – he declared that he had connections with Pension and Investment Research Consultants Limited (PIRC).

He would remain in the room whilst all items, with the exception of items 16-23, were discussed and make contributions.

205. Appointment of Vice-Chair

RESOLVED: That Councillor Bharat Thakker be appointed as Vice-Chair of the Pension Fund Committee for the Municipal Year 2017/18.

206. Minutes

RESOLVED: That

- (1) subject to the following amendments, the minutes of the ordinary meeting held on 7 March 2017, be taken as read and signed as a correct record;

Minute 180 - paragraph 3 bullet point 2

Delete “due to an increase in rates” and insert “of interest rate levels”

Minute 181 - paragraph beginning “Gemma Sefton”

Delete “A prudent target.....less risky” and insert:

“Prudent assumptions were considered appropriate for the valuation whereas, for funding purposes, best estimates were seen as more

relevant. Colin Robertson was of the view that correlations were critical and he pointed out that asset classes could be added even though they did not provide high returns as they improved the risk profile of the Fund as a whole.”

Minute 182 - paragraph beginning “Dave Lyons”

Delete “7.14” and insert “7.12”

Delete “He added that expected.....better option”

Minute 187

Delete “456” and insert “56”

Delete “devoid of meaningful information” and insert “inadequate as the performance analysis was only of asset allocation and manager selection was ignored”

Minute 189

Delete paragraph “The Independent Advisers allocation” and insert “The Independent Advisers referred to the 5-6% overweighting in equities and suggested that an adjustment to the overweight position with Oldfields could be an appropriate way of re-balancing the Fund”

Minute 196

Delete “In response.....actively managed”

- (2) the minutes of the special meeting held on 10 May 2017, be taken as read and signed as a correct record.

207. Public Questions. Petitions and Deputations

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

RECOMMENDED ITEMS

208. Role of Co-optee

The Committee received a report of the Director of Finance regarding the role of the non-voting co-optee to the Committee.

The Director of Finance introduced the report and drew attention to paragraphs 10 and 11 of the report which set out the need for the role of the non-voting co-optee to operate within the rules of the Council’s Constitution. She emphasised that attendance at other external meetings and function relevant to the Pension Fund Committee would be subject to officer approval.

The Chair provided some background to the report and Members asked questions on the cost of the training attended. The Director of Finance explained that the appropriateness of the training and conferences required careful consideration as it would be a cost to the Pension Fund. She explained that this statement only applied to external training and not that provided in-house. Representation by the co-optee at external training and conferences was also subject to officer approval.

Resolved to RECOMMEND: (to Council)

That the role of, and the working arrangements applying to, the non-voting co-optee(s) to the Committee, as described in paragraphs 10 and 11 of the report be agreed and that Howard Bluston be appointed as a non-voting co-optee on the Committee for the Municipal Year 2017/18.

RESOLVED ITEMS

209. Information report - Local Government Pension Scheme Pooling Arrangements

The Committee received a report of the Director of Finance on the development of the pooling arrangements and on progress in the Global Equities sub-funds procurement.

Colin Robertson, Independent Adviser, was of the view that the skill within the CIV for choosing Fund Managers was questionable and, in any case, more justification for the choice of manager needed to be provided. He added that some fund managers selected by the CIV were unsure as to how to attract individual authorities on board. He was also concerned that the timescale for the CIV to offer an infrastructure fund might be beyond what the government would find acceptable, as well as potentially missing out on opportunities.

Colin Cartwright, Aon Hewitt, stated that he was uncertain as to the CIV's approach to the appointment of fixed-income managers and was seeking to engage with them.

The Committee noted that the incoming Treasury and Pensions Funds Manager had expressed a desire to join the Investment Advisory Committee of the CIV which would assist the Committee.

Richard Romain, Independent Adviser, re-iterated that he was not supportive of the CIV and the manner in which it operated. He suggested that the Committee should take a stance requiring each Fund Manager to visit it on an annual basis in order to ensure accountability which rested with the Committee rather than the CIV. In response, the Chair stated that he would raise this important point at his meetings with the CIV and also informed that partisan briefing meetings were held before the CIV Joint Committee meetings. Colin Robertson, Independent Adviser, pointed out that the Fund's contract was with the CIV, not with individual managers, and that for some asset classes there might be only one manager on offer. Another Member was of the view that it was important for the Treasury and Pension Fund Manager to attend meetings of the CIV. It was important that the Committee was in a position to influence and be able to terminate contracts with fund managers whose performance was not satisfactory.

RESOLVED: That the report be noted.

210. Investment Strategy Review

The Committee received a report of Aon Hewitt, Council's Investment Adviser, which set out a future investment strategy for the Fund. The Pension Fund Committee was under a duty to administer all matters concerning the Council's Pension investments and to establish a strategy for the pension investment portfolio.

An officer introduced the report and read out a comment sent by Gemma Sefton, Hyman's Robertson, Council's Actuary, as follows:

"In terms of the impact on the probabilities of achieving the funding plan this is slightly more complex as while the median outcome will fall given the lower expected returns the variation around this will reduce, but simply the funnel won't go up as steeply but the width of the funnel should be narrower. In aggregate our view would be that the extent of the change should not have a materially negative impact on the success probabilities and therefore the funding plans already in place. However, as you are aware, the analysis at the point of the valuation was on the margins of providing a successful outcome in 2 out of 3 occasions and without running the analysis I can't quantify the impact of the change with certainty. However, should you wish us to re-run the analysis we would be happy to do so."

Colin Cartwright, Aon Hewitt, referred to their recommendations set out in the report which had addressed the allocation of equities, investment in infrastructure and property.

Colin Robertson, Independent Adviser, was of the view that the target allocations shown should be the strategic targets with the infrastructure target being a positive figure and the property figure increased while the DGF target should be lower. He acknowledged that in the shorter term the allocations should be as currently indicated. In response, Colin Cartwright, Aon Hewitt, agreed that the longer term strategic targets should be shown, stating that due to the need for an annual review of the ISS, both a short term and a longer term view was required.

Richard Romain, Independent Adviser, was of the view that whilst the goals were to be commended, the reality was that the Committee processes were not conducive to making quick/short term decisions. Colin Cartwright, Aon Hewitt, commented that he would come back to the Committee with some thoughts as to how they could best make the necessary short terms decisions.

Richard Romain, Independent Adviser, suggested that reference to 'some' be amended to 'all' in the fifth line up of the final paragraph, page 48 referred, and that the reduction in private equity ought to be spread over a number of years. It was explained that the reduction in private equity would be through the sale of underlying investments and the consequent return of the proceeds of the Fund which would take a number of years.

A Member referred to the need to include the training requirements on page 51 of the agenda.

RESOLVED: That the revised Investment Strategy be agreed subject to the changes set out above.

211. Property Investment Strategy

Colin Cartwright, Aon Hewitt, Council's Investment Adviser, introduced the report on Property Allocation Options in line with the function to administer all matters concerning the Council's Pension investments.

An officer referred to the training session on 'Property Investment' scheduled for 18 September 2017 but suggested that a separate session during the day may also be possible and he would look into this. He also referred to the 'Interview Session' in August and 'Meet the Managers' session in October 2017. The Committee agreed that the dates and times be finalised by the officer due to the availability issues of members of the Committee.

Colin Robertson, Independent Adviser, raised the previously discussed issue of the other large holders of the Aviva fund and the problems should they decide to sell. Colin Cartwright, Aon Hewitt, stated that he had met with Aviva and had discussed the issue of monitoring with their representatives.

RESOLVED: That the distribution of the property allocation included in the Fund's Investment Strategy as set out in paragraphs 3 and 4 of the report be agreed.

212. Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the Year Ended 31 March 2017

The Committee received a report of the Director of Finance, which set out the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017 for comment.

An officer introduced the report and highlighted the concern over the level of performance monitoring currently available to the Fund. However, he was of the view that the Performance of the Harrow Fund, in comparison with the Peer Group, had improved considerably and was good for all time periods. He added that an improved performance report would be submitted to the September 2017 meeting of the Committee.

The officer outlined that, in terms of the maturity of the Fund, contributions into and payments out of the Fund were very similar and the Fund was showing an increase in the number of pensioners whilst the number of active members had remained stable.

At the suggestion of the Chair, the Director of Finance agreed to include a suitable paragraph to explain that over the next three years the Council would be putting an additional £6m into the Fund to assist in reducing the deficit.

Richard Romain, Independent Adviser, suggested the following amendments:

- paragraph 9 of the report ought to be amended in the future to reflect the reality;

- page 87, final paragraph, first line, to delete “benchmarks” and insert “objectives”;
- page 91, first bullet point, to delete “multi assets” and insert ‘diversified growth funds’;
- page 91, last line – at the end of the sentence, to add “who had raised issues of concern”.

He enquired how the assumption that 50% of future retirees would elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 had been arrived at, as indicated on page 121 of the agenda. An officer indicated that he would discuss this with the Actuary and provide clarification.

RESOLVED: That the report be noted, subject to the amendments set out in the preamble above.

213. Actuarial and Benefits Services Consultancy Contract

The Committee received a report of the Director of Finance, which set out the current position on the procurement of Actuarial and Benefits Services Consultancy Services from 1 October 2017 and recommended a suitable strategy.

An officer introduced the report and highlighted the following key points:

- that an effective and efficient way to let a new contract was via ‘framework’ arrangements currently administered by Norfolk County Council;
- the services could be procured from four companies;
- contributions on the specification ‘Invitation to Further Competition’ from members of the Committee would be welcomed, pages 140-143 of the agenda referred, to allow officers to make any amendments;
- the range of overall weightings for each criteria were set out in the specification and comments were invited.

The officer suggested a date for interviewing the four companies but would contact members with a view to finalising the date. He agreed to check the legal and procurement implications associated with the process.

Richard Romain, Independent Adviser, questioned the requirement of this exercise and asked if the relevant contracts could be extended as the quality of the service provided was, in his opinion, good. In response, both officers and Members were of the view that the Committee could not be complacent and the process was necessary to ensure value for money and to allow the new Members of the Committee to examine/critique the firms.

RESOLVED: That the procurement process for Actuarial and Benefits Services Consultancy Services from 1 October 2017 as described in paragraph 7 of the report be agreed and that comments on the attached “Invitation to Further Competition” be sent to officers to finalise the specification.

214. Information Report - Investment Consultancy Services Contracts

The Committee received a report of the Director of Finance, which set out the current position on the procurement of Investment Consultancy Services from 1 January 2018.

An officer introduced the report and stated that a “framework” system of letting new contracts was more efficient and that it would be available from the autumn. An extension of the current contract with Aon Hewitt would run until the end of December 2017.

RESOLVED: That the report be noted.

215. Performance Measurement Services

The Committee received a report of the Director of Finance, which set out the latest position on the performance measurement services being provided by Pension and Investment Research Consultants Limited. The report also sought approval to purchase additional services.

An officer introduced the report and explained that the recommendation, if agreed, would provide Pension and Investment Research Consultants Limited with an opportunity to provide the Council with a bespoke service and for the Committee to take a view on the relevance of this information in the next 12 months.

Colin Robertson, Independent Adviser, expressed disappointment with the information received from Pension and Investment Research Consultants Limited to date and wanted to be clear as to what information would be provided under the bespoke service going forward. He offered to assist in the preparation of the specification for additional services which the Committee welcomed.

RESOLVED: That, subject to clarification, Pension and Investment Research Consultants Limited be contracted to provide bespoke performance measurement services as those described in paragraph 3 of the report at an annual fee, subject to inflation uplifts, of £8,500 and a one-off charge of £4,000.

216. Pension Fund Committee - Update on Regular Items

The Committee received a report of the Director of Finance, which set out the draft Work Programme, performance of Fund Managers for previous periods and any issues raised by the Pension Board.

An officer introduced the report and drew attention to the proposed Work Programme and referred to an incorrect insertion of word “street” in the penultimate line of page 169 of the agenda.

The Chair suggested inclusion of a training session and it was

RESOLVED: That the Work Programme for the period up to March 2018 be agreed, subject to the inclusion of an additional training session on ‘Types of Investments in the Pension Fund’ to be carried out by Aon Hewitt.

217. Quarterly Trigger Monitoring Q1 2017

The Committee received a report from Aon Hewitt, Council’s Investment Adviser, on Quarterly Trigger Monitoring.

An officer assured the Committee that their previous comments on assets and liabilities had been taken on board resulting in this report which provided guidance on the catalysts that would trigger a move to an LDI Strategy.

Colin Cartwright, Aon Hewitt, explained that the purpose of the report was to provide an update on the status of three de-risking triggers which the Committee had agreed to monitor, including the funding levels when compared with the level at the last actuarial valuation as at March 2016. He referred to the interest rate exposure and that Aon Hewitt was of the view that rates would rise faster than the market was indicating and that the market was overstating breakeven inflation expectations.

RESOLVED: That no de-risking actions be taken at this stage whilst the Fund’s Investment Strategy was under review.

218. Local Pension Board Survey

The Committee received a report of the Director of Finance inviting comments on the suggested responses in regard to a survey being conducted by the Local Government Association (LGA).

An officer introduced the report and referred to the completed questionnaire. He invited comments from the Committee before the end of July 2017 to allow a comprehensive response to be sent to the LGA.

The Committee agreed that, in the future, officers would send out surveys to all members for a response but that these would be collated anonymously. Responses would not be attributed to any individual on the Committee. It was noted that whilst the last Pension Board meeting was inquorate, the start time of 2.00 pm was one that was agreed by the Board.

RESOLVED: That

- (1) the report be noted and the Committee provide comments to officers on the LGA survey;
- (2) in the future, surveys be sent to all members of the Committee and responses be collated anonymously.

219. Information Report - Pension Fund Risk Register

The Committee received a report setting out the revised risk register for the Pension Fund. An officer introduced the report and referred to the Pension Fund Risk Register table on page 201 of the agenda. He particularly referred to three risks - 24, 25 and 26 – and explained why these had been placed in the high likelihood ‘red’ zone section. He acknowledged that these risk areas implied that they required immediate attention and responded to a Member’s question on mitigation.

The Committee noted that the cost of mitigation was high and acknowledged that the details set out on page 203 of the agenda to control the risks were reasonable. The Committee agreed that the risks be moved from the “high” likelihood of occurrence to the “significant” likelihood.

Colin Cartwright, Aon Hewitt, referred to the review – trigger monitoring - carried out and at the suggestion of an adviser, it was

RESOLVED: That

- (1) the report be noted and that high risks 24, 25 and 26 be moved to the significant likelihood section;
- (2) Aon Hewitt submit a report on options available to the Fund in the event of a significant fall in markets and the experience of other Funds in approaching this issue.

220. Information Report - Annual Review of Internal Controls at Longview Partners

The Committee received a report of the Director of Finance, which set out the contents of the latest internal controls report from Longview Partners LLP.

RESOLVED: That the report be noted.

221. Ian Talbot, Treasury and Pension Fund Manager

The Committee noted that Ian Talbot would be leaving the service of Harrow Council. On behalf of the Committee, the Chair wished Ian well for the future.

The Committee noted that Iain Millar would be replacing Ian Talbot as Treasury and Pension Fund Manager.

222. Exclusion of the Press 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 item for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
23.	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)).

223. Information Report - Investment Manager Monitoring

The Committee received a confidential report, which set out Aon Hewitt's, Council's Investment Adviser, quarterly report on Harrow's investment managers. All managers who had received a rating other than Pantheon – whose private equity funds had been rated by different criteria and had received a range of ratings - had been given either "Buy" or "Qualified" ratings.

Colin Cartwright, Aon Hewitt, introduced the report and informed the Committee that the performance of Insight had improved significantly and that he had met with the manager in August 2016 following concerns. Since then, their performance had been good. He added that the performance of Standard Life had been steady.

In response to a question from Colin Robertson, Independent Adviser, about the absence of a rating for Blackrock, Colin Cartwright, Aon Hewitt, stated that a quantity only rating was carried out instead of a fundamental rating and assured the Committee of Blackrock's competence. He agreed to consider how Aon Hewitt could report in the future to better meet the Council's needs. In relation to another question, he undertook to confirm that reference to an annual turnover of 200-300% on page 241 of the agenda titled 'Firm and Strategy Summary' was correct.

RESOLVED: That

- (1) the report be noted;
- (2) assessment for Blackrock be provided in future reports;
- (3) clarification on the reference to an annual turnover of 200-300% be provided to the Committee.

(Note: The meeting, having commenced at 6.33 pm, closed at 8.16 pm).

(Signed) COUNCILLOR NITIN PAREKH
Chair

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