

Pension Board AGENDA

DATE: Wednesday 3 October 2018

TIME: 2.00 pm

VENUE: Committee Rooms 1 & 2, Harrow Civic Centre,
Station Road, Harrow, HA1 2XY

MEMBERSHIP (Quorum 3, including at least one Employer representative and one Scheme Member representative).

Chair: Mr R Harbord

Board Members:

Councillor James Lee	- Harrow Council, Employer Representative
Gerald Balabanoff (VC)	- Scheme Members' Representative - Pensioners
John Royle	- Scheme Members' Representative - Active Members
	-

Contact: Manize Talukdar, Democratic and Electoral Services Officer

Tel: 020 8424 1323 Email: manize.talukdar@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

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

Filming / recording of meetings

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

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

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

Meeting access / special requirements.

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

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

Agenda publication date: Monday 10 September 2018

AGENDA - PART I

1. 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.

2. MINUTES (Pages 5 - 8)

That the minutes of the meeting held on 14 June 2018 be taken as read and signed as a correct record.

3. PUBLIC QUESTIONS *

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

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, Friday 28 September 2018. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

4. 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).

5. DEPUTATIONS

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

6. PENSION FUND COMMITTEE MEETING JUNE 2018 (Pages 9 - 20)

Report of the Director of Finance.

7. BREACHES POLICY (Pages 21 - 40)

Report of the Director of Finance.

8. WORK PROGRAMME 2018-19 (Pages 41 - 44)

Report of the Director of Finance.

9. 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

14 JUNE 2018

Chair:	* Mr R Harbord	
Board Members:	* Councillor James Lee	Harrow Council
	† Gerald Balabanoff	Scheme Members' Representative - Pensioners
	† Sudhi Pathak	Employer Representative - Scheduled and Admitted Bodies
	* John Royle	Scheme Members' Representative - Active Members

- * Denotes Member present
- † Denotes apologies received

1. Declarations of Interest

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

2. Appointment of Vice Chair

RESOLVED: To note that Gerald Balabanoff be appointed Vice-Chair for the 2018/19 Municipal Year.

3. Minutes

RESOLVED: That the minutes of the meeting held on 22 March 2018 be taken as read and signed as a correct record.

4. Public Questions, Petitions & Deputations

RESOLVED: To note that no public questions, petitions or deputations had been received.

RESOLVED ITEMS

5. Performance Monitoring to 31 March 2018

The Board received a report of the Director of Finance which set out performance monitoring information for the quarter and year ending 31 March 2018.

Following questions and comments from Board Members, an officer advised that:

- the office of the Pensions Regulator had indicated that it would be writing to all employers to inform them that they would be charged interest on any late payments, in accordance with regulations. It had also indicated that it would be taking a severe view of any regulatory breaches on the part of employers;
- Harrow had performed well in terms of Pensions administration performance statistics measured against national benchmarks;
- there had been no reported breaches at Harrow, however, there was an outstanding claim lodged with the Ombudsman, which would be reported to the Board once it had been resolved. The complaint related to a case of retirement on the grounds of ill health;
- the Annual Benefits Statement would be issued in August 2018.

He undertook to circulate the following information to the Board after the meeting:

- the origins of the National Benchmark;
- information regarding ill health retirement tiers;
- information about breaches at other local authorities;
- the number of Employers included within the Harrow Pension Scheme.

RESOLVED: That the report be noted.

6. Work Programme 2018-19 and Three year Review

The Board received a report of the Director of Finance which set out a review of the Board's actions of the last three years and sought comment from the Board on the 2018/19 proposed work programme.

Following questions and comments from Board Members, an officer advised that:

- the Funding Strategy Statement, which set out the viability of the Fund and how it was met, was produced in consultation with the Fund actuary;
- the Annual Review of the Treasury function would be included in the agenda for the next Board meeting;
- he would request officers of the Pension Fund Committee to provide a report regarding a summary of responses to the Pensions Regulator's questionnaire, to the next meeting of Board;
- he would request that both an officer and a Member of the Pension Fund Committee attend the next meeting of the Board. A representative from the Pensions' Regulator's office would also be invited to attend the meeting;
- the regulator was of the view that Pension Board members should be allowed access to part II papers from Pension Fund Committees and would shortly be communicating this to all local authorities. Some authorities already complied with this, although, Harrow did not, for the reasons set out in the report;
- costs of external training events would be covered from the budget relating to the Pension Board, however, the budget would not cover loss of earnings as a result of attending training.

He undertook to:

- confirm what percentage of Harrow's schemes had all 6 key monitoring processes (used by the Pensions Regulator) in place;
- seek nominations from the 40 scheduled and admitted bodies for a replacement for Sudhi Pathak;
- circulate a training template and an evidence log to Board Members for them to record their attendance at training events.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 2.06 pm, closed at 2.50 pm).

(Signed) RICHARD HARBORD
Chair

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REPORT FOR: Pension Board

Date of Meeting: 20 September 2018

Subject: Information Report - Pension Fund Committee Meeting 27 June 2018

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Minutes of Pension Fund Committee 27 June 2018

Section 1 – Summary

Summary

The report sets out the matters considered by the Pension Fund Committee at the meeting on 27 June 2018, 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 27 June 2018

- Pension Fund Committee - Update on Regular Items
- Information Report - Quarterly Trigger Monitoring Q1 2018

- Performance Measurement Services
- Information Report - Annual Review of Internal Controls at Investment Managers
- Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2018
- Information Report - London CIV Revised Governance Arrangements PART II
- London CIV Investment Strategy Pooling Options
- Information Report - Investment Manager Performance Monitoring for period ending 31 March 2018

A copy of the minutes of the meeting of 27 June 2018 is attached

Training session before meeting –Presentation from Fund Actuary – Hymans Robertson.

Following the completion of the annual audit of the Pension Fund, the external auditor KPMG issued an unqualified opinion on the pension fund financial statements for 2017-18. No recommendations were raised as a result of the work undertaken by the external auditor. The Pension Fund audit fee was £21,000 for 2017-18.

http://www.harrow.gov.uk/info/200110/council_budgets_and_spending/698/statement_of_accounts/2

Financial Implications

2. 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

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

Equalities implications

- 4 There are no direct equalities implications arising from this report.

Council Priorities

5. 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



Chief Financial Officer

Date: 10 September 2018

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

27 JUNE 2018

Chair:	* Councillor Nitin Parekh	
Councillors:	* Dean Gilligan (2) * Norman Stevenson	* Bharat Thakker
Trade Union Observers:	John Royle	Pamela Belgrave
Independent Advisers:	* Mr C Robertson † Honorary Alderman R Romain	Independent Adviser Independent Adviser

* Denotes Member present
 (2) Denotes category of Reserve Member
 † Denotes apologies received

1. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

<u>Ordinary Member</u>	<u>Reserve Member</u>
Councillor Antonio Weiss	Councillor Dean Gilligan

2. Declarations of Interest

RESOLVED: To note that the following interests were declared:

All Agenda Items

Councillor Norman Stevenson 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.

Councillor Bharat Thakker declared a non-pecuniary interest in that he had a personal investment made by Standard Life. He would remain in the room whilst the matters were considered and voted upon.

Councillor Dean Gilligan declared a non-pecuniary interest in that he was a member of the GMB trade union. He did not work in Harrow and would remain in the room whilst the matters were considered and voted upon.

Colin Robertson, Independent Adviser, declared that he and his mother had personal investments in GARS and Colin Cartwright, Aon Hewitt, declared that his wife had a small investment in GARS. They would remain in the room whilst the matters were considered and voted upon.

3. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Bharat Thakker as Vice-Chair of the Committee for the 2018/2019 Municipal Year.

4. Minutes

RESOLVED: That the minutes of the meeting held on 7 March 2018, be taken as read and signed as a correct record, subject to the following amendment:

Minute 258 Declarations of interest

To note that Howard Bluston was a Director of Brent and Harrow Chamber of Commerce.

5. Public Questions, Petitions and Deputations

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

RECOMMENDED ITEMS

6. Appointment of Co-opted Member

The Committee noted that Annual Council had not appointed a non-voting co-optee to the Committee for the Municipal Year 2018/19.

Resolved to RECOMMEND: (to Council)

That Howard Bluston be re-appointed as a non-voting co-optee for the Municipal Year 2018/19 under the same arrangements as 2017-18 with no advisory or representative duties attached to the role.

RESOLVED ITEMS

7. 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.

It was noted that, at its meeting on 14 June, the Pension Board had requested the inclusion of its minutes in the update report. As, due to timetabling, this had not been possible for the last meeting, Members were provided with feedback. It was noted that Harrow had performed well in terms of Pensions administration performance statistics measured against national benchmarks. It was noted that the Press had attended the Board meeting and had given a positive write up.

RESOLVED: That the Work Programme for the period up to March 2019 be agreed.

8. Information Report - Quarterly Trigger Monitoring Q1 2018

The Committee considered a report from Aon Hewitt, the Council's Investment Adviser, on Quarterly Trigger Monitoring.

The Committee noted that no de-risking actions were recommended at the current time. Aon Hewitt considered that yields would rise faster than indicated by the market over the next three and five year period.

A Member referred to the fall in the funding ratio and Colin Cartwright, Aon Hewitt, stated that this reflected the fall in equity prices and also the fall in gilt yields which increased the value of the liabilities, although there could have been a small improvement subsequent to the production of the report.

RESOLVED: That the report be noted.

9. Performance Measurement Services

The Committee received a report of the Director of Finance, which set out the performance management services being provided by Pension and Investment Consultants Limited (PIRC). The report benchmarked performance to 31 March 2018 and the Committee was invited to comment on the format and presentation requirements going forward.

An officer introduced the report and drew particular attention to the return of 8.2% pa achieved by the Fund over the last three years which, although

below the benchmark result of 8.8%, was reasonable in terms of the target. The Fund had been ranked in the top 25% of its peers over the last five years

Colin Robertson, Independent Adviser, stated that he remained dissatisfied with PIRC's work on performance measurement and he was of the view that the shortcomings needed to be addressed. He drew particular attention to the following issues:

- are the 3 and 5 year total fund peer group performance numbers percentiles or actual rankings (out of 61 funds);
- he suspected that the 12.4% private equity performance over the quarter was due to a return of capital not being properly accounted for and wondered whether cashflows were being properly treated elsewhere;
- saying that asset allocation underperformance was largely due to holdings of cash was covering only part of the narrative as what the cash was held in place of was crucial;
- he was still surprised that the significant overweight position in equities in recent years, combined with regular profit taking in equities but never down to an underweight position, had not led to a significant boost to performance from asset allocation.

The view of Colin Robertson that the performance numbers relative to the benchmark should be given at least as much prominence as the peer group numbers because the fund was managed against the benchmark, not against the peer group, was endorsed by Colin Cartwright, Aon Hewitt. In response to a question as to alternative providers, the Committee was informed that the few such providers available were mostly incorporated with a custodian.

An officer suggested that Colin Robertson attend the meeting with a representative of PIRC the following week to express the Committee's concerns and agree the statistics required for a useful report.

RESOLVED: That the report be noted.

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

The Committee received a report which summarised the internal control review for Insight Investment, one of the Fund's ten investment managers, for the year ended 31 December 2017. The Committee was informed that the report had been reviewed and showed that controls were operating effectively and, where exceptions had been identified, that there had been a satisfactory management response.

RESOLVED: That the report be noted.

11. Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2018

The Committee's comments were sought on the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2018.

An officer introduced the report highlighting that the timetable had been amended to require completion of the audit by 31 July 2018. As questions had not been raised the Auditors were assumed to be content with their findings and feedback had been requested by the officers.

In response to questions and suggestions the following was noted:

- the audit of the accounts had commenced in June and not July as stated in the report;
- amendment would be made to the introduction to insert wording on the work with the London CIV and the regular updating of Members' knowledge;
- to ensure a consistent approach regarding percentiles v rankings in the tables;
- inclusion of mitigating comments as to why the fund performance over one year of 5.3% was below the benchmark return of 7.2% on page 11 of the accounts;
- to ensure consistency in wording of either independent consultant or advisers;
- to reword references to the Pension Board to reflect its monitoring and reporting role.

RESOLVED: That the report be noted.

12. Information Report - London CIV Revised Governance Arrangements

The Committee received a report outlining the new governance arrangements for London LGPS CIV Limited (London CIV). Members were invited to comment on the proposed terms of reference to be considered at the LCIV AGM on 12 July 2018.

An officer highlighted the key changes including the dissolution of the current CIV Sectoral Joint Committee and creation of a Shareholder Committee of only twelve Local Authority representatives plus the Chair of the London CIV Board. Access to the CIV would be via the shareholder group rather than direct and there would be a greater need for officers to be involved in raising issues.

The view was expressed that it would be difficult for 33 entities to be involved under the revised arrangements and it was hoped that there would be further clarification in July.

RESOLVED: That the report be noted.

13. Any Other Urgent Business

Joe Peach, Aon Hewitt, advised the Committee that some members of the Pension Fund had AVCs in Critical Life and it was possible that this business would be transferred to other funds. The Committee would be advised when further information was available.

14. Exclusion of the Press and Public

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

<u>Item</u>	<u>Title</u>	<u>Reason</u>
16.	London CIV Investment Strategy Pooling Options	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
17.	Information report – Investment Manager Performance Monitoring for Period Ending 31 March 2018	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))
18.	Information Report – London CIV LPGS Recharge and Pension Guarantee Agreements	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))

15. London CIV Investment Strategy Pooling Options

The Committee received a report from the Director of Finance inviting Members to review the updated investment strategy report produced by Aon Hewitt and to consider the proposed next steps to investing passive equity in the London CIV including options for reducing fund manager fees.

Colin Cartwright, Aon Hewitt, referred to Harrow's low position on the chart of the percentage of AUM pooled per borough. He outlined the discussions on

the passive equity portfolio considerations that had occurred since the March Committee meeting and provided a recommendation on how to proceed.

The Committee discussed the quotes received in relation to managing the current passive equity portfolio, London CIV fees and transition costs. Taking this into account, together with liquidity, whether dealing took place on a weekly or daily basis, and current relationship, the recommendation of Aon Hewitt was to transition the portfolio to BlackRock. Colin Robertson, Independent Adviser, endorsed the recommendation.

In response to a question, Aon Hewitt advised that a move of bond assets to passive was not suggested at the present time but would be reviewed in future.

It was noted that depending on the legal documents the matter could be completed in approximately three months.

RESOLVED: That the Pension Fund's passive equity portfolio be transitioned to BlackRock.

16. Information Report - Investment Manager Performance Monitoring for period ending 31 March 2018

The Committee received a confidential report on Aon Hewitt's quarterly report on Harrow's investment managers. All managers other than Pantheon who had been rated had been given either 'Buy' or 'Qualified' ratings. The Pantheon private equity funds were rated by different criteria and had received a range of ratings.

Colin Cartwright, Aon Hewitt, informed the Committee of the development of a distinct Environmental, Social and Governance (ESG) rating system for buy-related investment managers with a rating of 2 being the market average. It was anticipated that ESG factors would be incorporated into new regulations. In response to a question, ESG ratings included how ESG factors were taken into account in the investment process but not what stocks / sectors such as oil were excluded and an example of which were indices on carbon footprints. There had not been any evidence of an investment manager who would leave the organisation due to the requirement to have an ESG rating.

The Committee was informed that Aviva had announced that it was selling its indirect real estate business, including the management of the Encore+ fund and the multi-manager business to LaSalle Investment Management. Subsequent to discussions Aon Hewitt had taken the decision to place both Encore+ and the Aviva Real Estate Multi-Manager business 'on review' and would revisit both ratings once the sale was completed. Aon Hewitt did not have any concerns regarding the sale as LaSalle were purchasing the whole team from Aviva and would be focusing on direct property funds. Colin Robertson, Independent Adviser, suggested that Aon Hewitt had a good impression of LaSalle from their assessment of LaSalle's other products.

Colin Robertson, Independent Adviser, suggested that feedback be obtained on what Insight were doing to prevent a re-occurrence of the 3% loss over Q1

2018. He also suggested that a comparison with how potential DGF candidates had performed over that period would be beneficial. Colin Cartwright, Aon Hewitt, undertook to report back.

RESOLVED: That the report be noted.

17. INFORMATION REPORT - London CIV LGPS Recharge and Pension Guarantee Agreements

The Committee received a report of the Director of Finance on two separate legal agreements for London LGPS CIV Limited (London CIV) participation in the Local Government Pension Scheme as an admission body. The report was considered on the grounds of urgency as the agreements needed to be signed before the next meeting of the Committee.

Members were advised that the documents had been agreed in principle at the London CIV Pensions Sectoral Joint Committee (PSJC) on 31 January 2018. On 14 March 2018 the PSJC agreed that the formal process for each authority to progress the signing of the agreements could begin. It was noted that authority to seal the agreements had been delegated to the Chair of the Pension Fund Committee in conjunction with the Section 151 officer.

The Committee noted that the report was before it for information but sought further clarification from the London CIV on the risks and liabilities in connection with signing the agreements.

RESOLVED: That

- (1) the report be noted; and
- (2) a further information report be submitted to the next meeting.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.40 pm).

(Signed) COUNCILLOR NITIN PAREKH
Chair

REPORT FOR: Pension Board

Date of Meeting: 20 September 2018

Subject: Information Report – Performance Monitoring

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Appendix 1: Pension Administration Performance Monitoring Q1 to 30th June 2018.
Appendix 2: Breaches of Law Policy and draft reporting template

Section 1 – Summary

Summary

This report presents the Board with performance monitoring information for the quarter ending 30th June 2018. Pension Board are requested to note the breaches of law policy and to comment on the draft breaches reporting template

For information

Section 2 – Report

1. At several of their meetings the Board has rightly suggested that it sees part of their role as monitoring the service performance of the Fund. Whilst to date it has received a substantial amount of performance information through the Fund's Annual Report and Accounts, the Scheme Advisory Board's Benchmarking and Key Performance Indicators return and reports on the triennial actuarial valuation .It has been monitoring comparative pensions administration indicators since June 2017.
2. The Pensions administration performance statistics measured against the national benchmarks for the last quarter to 30 June 2018 are set out in Appendix 1. The Board is invited to comment on this performance.
3. Table 1 below sets out the membership of the Pension Fund in the current year to 30 June 2018 with previous years as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund. There was one ill health retirement ,

	30 June 2018	31 March 2018	31 March 2017	31 March 2016
Pensioners	5,847	5,760	5,576	5,438
Deferred	7,148	7,115	6,925	6,700
Active Members	5,429	5,557	5,659	5,561
% Active Members	29.5%	30.1%	31.2%	31.5%
Total	18,424	18,432	18,160	17,699

Requirement to Report Breaches of Law

4. There have been no known breaches of law in the current financial year. The breaches of law policy is set out in Appendix 2 together with a breaches monitoring template for review by Pension Board.

Internal Disputes Cases and Complaints

5. No internal disputes have been raised in the current financial year.

Issue of Annual Benefit Statements

6. All benefit statements were published and distributed in early August well before the 31 August 2018 deadline.

Payment of Employer Contributions

7. Employer contributions are required to be paid in arrears by the 19th of each month. All employer contributions have been paid on time in the year

to date. Employers are contacted if payment has not been received by the date.

8. The Board is asked to consider whether the information discussed in this report would meet its requirements for regular performance monitoring and to comment as it sees fit.

Financial Implications

9. Whilst the provision of performance monitoring information should assist in the efficient and effective management of the Pension Fund there are no financial implications arising from this report.

Risk Management Implications

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

Equalities implications

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Chief Financial Officer

Date: 10 September 2018

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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Appendix 1 Q1 Performance Monitoring 01/04/2018 – 30/06/2018

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SERVICE	Harrow Performance Actual against Target	National Benchmarking Target	National Actual Performance %
Issue letter notifying of dependent's benefit in 5 days	21/21	5 days	100
Calculation and notification of ill health estimate within 10days	2/2	10 days	100
Calculation and notification of retirement benefits estimate in 10 days	46/49	10 days	100
Issue letter to new pension provider detailing transfer-out quote in 10 days	13/13	10 days	100
Calculation and notification of deferred benefits in 10 days	71/71	10 days	100
Calculation and notification of retirement benefits in 3 days	20/25	5 days	80
Process refund and issue payment within 5 days	20/20	5 days	100
Calculation and notification of actual ill health benefits within 3 days	1/3	5 days	33.3
Contact next of kin on notification of death in 3 days	0/3	3 days	0
Issue statutory notification on receipt of transfer funds in 8 days	7/7	10 days	100

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Policy for Reporting Breaches of the Law

London Borough of Harrow Pension Fund

March 2017

Background

The London Borough of Harrow Pension Fund (“the Fund”) has prepared this document setting out its policy and procedures on identifying, managing and, where necessary, reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator’s Code of Practice no 14: Governance and administration of public service pension schemes (“the Code of Practice”).

This policy sets out the responsibility of elected members, officers of The London Borough of Harrow (“the Council”), and the Harrow Pension Board in identifying, managing and, where necessary, reporting breaches of the law as they apply to the management and administration of the Fund. This policy does not cover the responsibility of other “reporters” (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.

This policy will be reviewed and approved by the Council at least annually. The Council will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The monitoring officer for the Council will be responsible for the management and execution of this breaches policy.

The section 151 officer will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the Pension Board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a material breach is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and, where necessary, reporting a particular breach, such breaches provide an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the Harrow Pension Fund, will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

Where a breach has occurred it should be identified and logged as either an area of non-compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or the Pension Regulator’s Code of Practice 14.

The Council, officers and the Pension Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council, officers or Pension Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “an act of breaking or failing to observe a law, agreement, or code of conduct.” In the context of the Local Government Pension Scheme (“LGPS”) it can encompass many aspects of the management and administration of the scheme, including, for example, failure:

- to do anything required under the LGPS Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time.

What is non-compliance under the LGPS Regulations?

Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations
- to comply with policies and procedures (e.g. the Fund’s Investment Strategy Statement, Funding Strategy Statement, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as “reporters”):

- Elected members and officers of the Council (the Scheme Manager);
- Members of the Pension Board;
- Scheme employers;
- Professional advisers (including the Fund actuary, benefit consultant, investment advisers, legal advisers); and
- Third party providers (where so employed).

This policy applies only to elected members and officers of the Council, and members of the Pension Board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Pension Board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other “reporters”.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;

- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as "urgent" in order to draw the Regulator's attention to it

Assessing "reasonable cause"

It is important that the Council and the Pension Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by officers and elected members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary, benefit consultant or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Council, officers and Pension Board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and

- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a “traffic light” system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Council’s breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council must report all such breaches to the Regulator in all cases;

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Council will use the Regulator’s decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

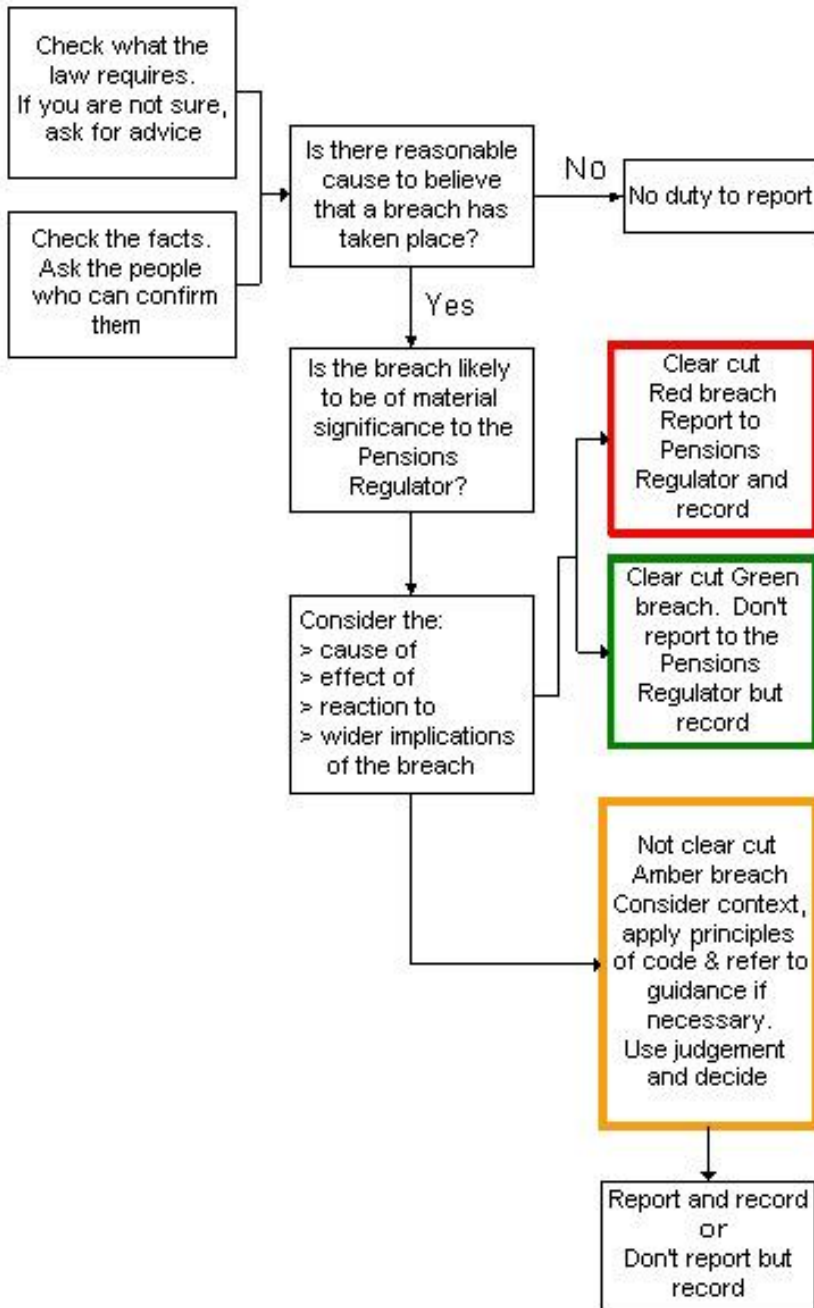
In order to determine whether failure to pay over employee contributions is materially significant or not the Council will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the monitoring officer must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council’s breaches log.



Process for reporting breaches

All relevant officers and elected members of the Council, as well as all members of the Pension Board have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the monitoring officer and section 151 officer;
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, Pension Board and, where necessary, the Regulator.

Responsibilities of the responsible officer

The Council's monitoring officer will be responsible for the management and execution of this breaches policy.

The monitoring officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Council's breaches log;
- investigate the circumstances of all reported breaches and likely breaches;
- ensure, where necessary, that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not recur;
- report to the Pension Fund Committee and Pension Board:
 - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The monitoring officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate. Such parties might include the Head of Legal Services, the Pension Fund Committee and Pension Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Regulator. Where uncertainty exists as to the materiality of any identified breach the Council, officers or Pension Board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Council will report all material breaches to the Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the monitoring officer as soon as they are identified. The monitoring officer will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;

- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The monitoring officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator. Any documentation supporting the breach will also be retained.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council, officers or a member of the Pension Board. The duty to report does not override any other duties a “reporter” may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override ‘legal privilege’, so certain oral and written communications between the Council or Pension Board and a professional legal adviser do not have to be disclosed if they meet the principles of legal privilege.

Training

The section 151 officer will ensure that all relevant officers and elected members, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

Appendix A

Example scenarios

1. Failure to enter employee into the scheme

Scenario

It is discovered that a scheme employer has not entered an eligible employee into the LGPS on joining

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something they are required to do under the rule of the LGPS. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated. This will include:

- Assessing whether failure relates to a specific employee or is it something more widespread
- Remediating this particular situation immediately
- Understanding if there have been personnel changes at the employer; has this resulted in teething problems during any hand-over?
- If necessary the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

When considering if the delay/failure is likely to be of “material significance” you could consider;

- Has the member been denied access to the scheme completely?
- Has the employer failed to respond to the Fund’s enquiries?
- Has the member not been given the opportunity to backdate entry to the scheme and pay arrears?
- Has the employer failed to put in place an immediate plan to remedy any further failures?
- Are more members affected, or is this a one-off?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

2. Late payment over of contributions

Scenario

A scheme employer is late in paying over employee and employer contributions

Steps that might be taken

The reasons for the delayed payment could many, so while a breach has clearly occurred it is important to understand the reasons behind the delay. To do this:

- Contact the employer to assess the reason for the delay
- Investigate what went wrong

- Ensure steps are put in place so as to avoid a repeat in future months
- Record the outcome of your investigation
- Make sure processes are assessed to ensure they pick up any potential fraud

Materiality

While the reason for the delay in paying over contributions might be entirely innocent, it is also possible something more sinister is at play and could be “materially significant”. Consider;

- Is the employer unwilling or unable to pay? e.g. due to insolvency
- Is any dishonesty involved on the part of the employer? e.g. using non-payment to ease cash-flow
- Is the employer seeking to avoid paying contributions?
- Does the employer have inadequate processes in place to recover contributions?
- Have contributions been outstanding for over 90 days since being identified?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

3. Late Submission of year-end data

Scenario

A scheme employer is late in submitting year-end pay and contribution return in respect of active scheme members

Steps that might be taken

On the face of it this is a breach, but the employer may not necessarily appreciate the significance. Things you might consider doing include:

- Contacting the employer to assess the reason for the non-submission
- Investigating with the employer what went wrong
- Putting in place steps to ensure no repeat
- Recording your investigations

Materiality

Is the delay/failure likely to be of “material significance”? Consider;

- Is the employer unwilling or unable to provide the required data? e.g. are its systems adequate
- Has the employer failed to respond to the Fund’s enquiries?
- Will the delay impact the issue of annual benefit statements?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

4. Late issue of annual benefit statements

Scenario

The Fund is late/fails to issue annual benefit statements to active and/or deferred scheme members within the statutory time limits.

Steps that might be taken

Failure to issue annual benefit statements or delaying their issue is a clear breach. Before reporting to the Pensions Regulator:

- Assess whether failure relates to a specific employer or wider issues
- If there have been system or scheme rule changes, determine whether teething problems have contributed to the delay/failure
- Put in place steps to ensure statements are issued within a reasonable timescale
- Put in place steps to ensure no repeat
- Record the investigations

Materiality

Is the delay/failure likely to be of “material significance”? Consider;

- Is the breach resulting from employer failure to provide year-end data?
- Has the employer failed to respond to the Fund’s enquiries?
- Has there been a failure on the part of the Fund to have a proper plan in place for the ABS project?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?
- Will the delay impact on the member’s actual benefits?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

5. Late notification of leaver/retirement details

Scenario

A scheme employer fails to provide the Fund with the necessary leaver/retirement notifications

Steps that might be taken

On the face of it a breach will have occurred, as the scheme employer has failed to do something they are required to do under the LGPS Regulations. Before deciding to report to the Pensions Regulator it is necessary to consider why this has happened and the steps that are being taken to either rectify the situation and/or ensure it is not repeated.

- Assess whether failure relates to a specific employee or is it something more widespread
- Remedy this particular situation immediately
- If there have been personnel changes at the employer, has this resulted in teething problems during any hand-over
- If necessary the Fund could provide training to the employer on its responsibilities to ensure there is no repeated failure

Materiality

Is the delay/failure likely to be of “material significance”? Consider;

- Has the employer failed to respond to the Fund’s enquiries?
- Has the failure delayed the assessment and notification/payment of retirement benefits?
- Has the scheme member been denied access to investment opportunities due to the failure?
- Has the failure led to financial hardship for the member?
- Has the Fund failed to put in place an immediate plan to remedy any delay/failure?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

6. Failure to declare potential conflict**Scenario**

A Pension Committee or Pension Board member fails to declare a potential conflict of interest in relation to an issue for discussion or decision, which has later come to light

Steps that might be taken

It is a requirement to declare conflicts of interest, so a breach will have occurred. Before deciding whether to report to the Pensions Regulator:

- Determine why the conflict of interest was not reported at the outset
- Consider what impact it had on the eventual discussions or decision
- Draw attention of all Committee and Board members to the Council’s conflicts of interest policy
- Consider revisiting the discussion or decision, excluding the individual concerned
- Remove the individual from the Pension Committee or Pension Board if considered their omission was of such significance as to lead to a loss of confidence in the public office

Materiality

Is the non-disclosure likely to be of “material significance”? Consider;

- Has the individual used the situation to their advantage?
- Has the individual had their judgement swayed by the apparent conflict of interest?
- Would the removal of the individual from the discussions/decision have altered the eventual outcome?
- Would the non-disclosure in this situation lead to a loss of confidence in the public office?

If the answer to any of the above is “yes” this may imply materiality and may warrant reporting to the Pensions Regulator. In any event the issue should be added to the Council’s breaches log.

Annex 'D' - Record of Breaches (to be maintained by the Head of Fund)

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting of the Committee/Board should be highlighted

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REPORT FOR: PENSION BOARD

Date of Meeting: 20 September 2018

Subject: **Information Report** – Work Programme
2018-19 and Pension Board Three Year
Review

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary

This report reviews the Boards actions over the last three years and invites the Board to comment on a suggested work programme for 2018-19

For Information

Section 2 – Report

1. At its meeting on 8th March 2018, Pension Board agreed that agenda items for the meeting on 14 June should include: a review of the previous three years with clear objectives for going forward, training and succession planning.
2. A review of Pension Board activity is set out in Appendix 1.
3. The summary of the Pensions Regulator 2018 public service governance and administration survey is attached as Appendix 2. The Pensions Regulator has been invited to send a representative to address September Pension Board to set out its expectations of local government schemes.
4. Pension Board met quarterly during 2017-18. At its meeting on 22 March 2018 the Board considered a work programme for the remainder of the 2017-18 financial year which, together with an update on the Board's current position, is as follows:

Matter for Consideration	Board Position
Pensions Administration – Performance monitoring	Proposals developed 12 July 2017 .Quarterly report from 8 November 2017
Review of Internal Controls at fund managers	2016 reports: reviewed 12 July 2017 and 12 September 2017. 2017 reports from 22 March 2018
Risk Register	Pension Fund Risk Register considered on 12 July 2017.Pension Board Risk Register for 22 March 2018
Annual Report and Financial Statement for year ended 31 March 2017 including External Audit report	Draft Report 20 July External Audit Report 8 November Meeting
Scheme Advisory Board Local Pension Board Survey	Reviewed 12 July and 8 September 2017 and survey response submitted on time.
Use of CIPFA Pension Administration Benchmarking Club	Use of performance indicators and benchmarking service reviewed 12 July 2017
Latest Pension Fund Committee Meeting	Considered at each meeting of Board
Knowledge and skill requirements	Reviewed 12 September 2017.
London CIV and its approach to Environmental, Social and Governance Issues	Presentation from London CIV to Pension Board 12 September 2017.Update at 22 nd March 2018
External Audit Plan	Reviewed 22 nd March 2018
Training Programme 2017-18	Reviewed on 2 November 2016
Environmental, Social and Governance Issues	To be considered at future meetings
Funding Strategy Statement	Reviewed on 22 March 2018
Long term cashflow and funding	Considered by Pension Fund Committee at each meeting and by Board on 12 September 2017

Investment Strategy Statement	Reviewed on 22 March 2018
Governance Compliance Statement	Reviewed on 22 March 2018
Communications Policy Statement	Reviewed on 22 March 2018
Latest Pension Fund Committee Meeting	Considered at each meeting of Board Reviewed on 22 March 2018 for two previous meetings of Pension Fund Committee
Pension Board referral to Pension Fund Committee	Pension Board Minutes to be reported formally to Pension Fund Committee

Meetings of Pension Board in 2018-19

5. A suggested work programme for 2018-19 on which the Board's comments are invited is as follows:

Pension Board Meetings 2018-19

14 June 2018
20 September 2018
5 December 2018
28 March 2019

Proposed Workplan

- Review of 2018 Public Governance and administration survey
- Knowledge and Skills for Pension Board
- Annual Report to Council
- Annual Report and Financial Statement for year ended 31 March 2018 including External Audit report (see link)
- Long term cashflow and funding
- Review of Governance Statements
- Review of Risk Register
- London CIV update
- Latest Pension Fund Committee Meeting
- Pensions Administration – Performance monitoring
- Review of Internal Controls at fund managers
- Environmental, Social and Governance Issues
- Training Programme 2018

Pension Fund Committee meetings 2018-19

Wednesday 27 June 2018
Wednesday 12 September 2018
Tuesday 27 November 2018
Tuesday 12 March 2019

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

Financial Implications

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

Risk Management Implications

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

Equalities implications

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Name Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 10 September 2018		

Ward Councillors notified:	NO
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Section 4 - Contact Details

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

Background Papers - None