

Pension Board AGENDA

DATE: Wednesday 8 January 2020

TIME: 6.30 pm

VENUE: Committee Room 5, 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
Vacant	- Scheme Members' Representative - Active Members
Vacant	- Employer Representative – Scheduled and Admitted Bodies

Contact: Nikoleta Nikolova, Senior Democratic and Electoral Services Officer
Tel: 020 8424 8284 Email: nikoleta.nikolova@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 30 December 2019

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 - 10)

That the minutes of the meeting held on 31 October 2019 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, 3rd January 2020. 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 MEETINGS 18 DECEMBER 2019_ (Pages 11 - 30)

7. PENSION ADMINISTRATION PERFORMANCE MONITORING TO 30TH SEPTEMBER 2019_ (Pages 31 - 36)

8. SCHEME ADVISORY BOARD GOOD GOVERNANCE REVIEW_ (Pages 37 - 58)

9. PENSION BOARD WORK PROGRAMME 2019-20_ (Pages 59 - 62)

10. 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

31 OCTOBER 2019

Chair: * Mr R Harbord

Board Members: * Councillor James Lee Harrow Council, Employer Representative
* Gerald Balabanoff (VC) Scheme Members' Representative - Pensioners

In attendance: (Officers) Iain Millar Treasury and Pensions Manager

* Denotes Member present

45. Declarations of Interest

RESOLVED: To note that there were no declarations to be made.

46. Minutes

RESOLVED: That the minutes of the meeting held on 11 July 2019, be taken as read and signed as a correct record.

47. Public Questions

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

48. Petitions

RESOLVED: To note that no petitions had been received.

49. Deputations

RESOLVED: To note that no deputations had been received.

RESOLVED ITEMS

50. Pension Fund Committee Meetings 11 September 2019

The Board considered the minutes of the Pension Fund Committee meeting held on 11 September 2019 which were circulated at the meeting.

A copy of the new performance dashboard prepared by Aon which was discussed by the Committee was also circulated to the Board. The Board commented on the comprehensiveness of the dashboard in bringing together all elements of the Pension Fund for Q2. However, the Board expressed concerns about the recent changes to London LGPS CIV and how operation strategies were being delivered.

The officer drew the attention of the Board to the following:

- the CIV was improving and concerns over operational strategies were being addressed. A replacement for the post of Chief Investment officer was also being addressed. Mike O'Donnell, Chief Executive Officer of the London CIV, was due to attend the next Pension Fund Committee meeting;
- evaluation update was progressing well, with an indicative value of 94% funding as of 31 March 2019. Intention was to maintain stability and freeze employer contributions for the next three years. The Board commented on the usefulness of the dashboard and requested that a copy be sent to all Members;
- a session on the Pension Fund Committee had noted that the interim actuarial results showed that the deficit level had gone down, but it was not appropriate to reduce employer contributions as it was important to maintain stability of contributions over the medium term;
- the overall Fund's performance was as anticipated to be mid quartile in the local authority universe. All funds are likely to have improved because of positive investment returns, with Harrow Council being among the earliest local authorities with the whole fund actuarial results being completed ahead of schedule;
- review on investment strategy deferred until later date due to upcoming parliamentary elections.

RESOLVED: That

- (1) the report be noted;
- (2) the governance review and engagement report be presented to the next Pension Board meeting.

51. Pension Administration Performance Monitoring

The Board received a report on performance monitoring information for the quarter ending 30 June 2019.

An officer stated that it had been a busy quarter during which the pension team have had to prepare external auditor reports and actuarial valuation reports. All key tasks had been completed on time, which demonstrated consistent performance and commitment of the team.

Responding to a question, an officer advised that the rising number of pension members was a reflection of part time workers as well as people with more than one employment.

Whilst the Board noted that no known breaches of law had been made in the current financial year, it expressed concerns over the Board's potential non-compliance with the Act as a result of its Board vacancies, adding that it needed to be urgently addressed. It was agreed that the matter be discussed further under item 9 on the agenda.

RESOLVED: That the report be noted.

52. Review of Pension Board Representation and Terms of Reference

The Board received a report from the Director of Finance, setting out proposals to increase the membership representation and amend the terms of reference to reflect the proposed changes to the Board membership.

In response to questions and comments from Board members, an officer stated that the current recruitment strategy of new members was based predominantly on circular notifications and individual approaches but no recruitment campaign had been set up yet. An officer undertook to explore the idea of developing a recruitment campaign, which would include an open process for potential employer representative and update the Board at the next meeting. Pension Board have requested that its Terms of Reference are amended to increase Board representation to ensure that each meeting is quorate.

The options available were:

- (i) to increase the number of employer and member representatives on Pension Board equally,

or

- (ii) to appoint one Administering Authority reserve member and one Scheme Member reserve member, (as there are no reserve members in the current terms of reference).

Referencing the proposed membership composition, the Board agreed that the optimal format for the Board would be a combination of 3 employer, 3 scheme and 1 independent members, thereby avoiding potential issues with

attendance and ensuring quorum at meetings (pp 36 & 37 of the report). It was agreed that further changes be deferred until after the next Full Council meeting to allow changes set out in the current report be made. An officer undertook seek legal advice on the proposed changes and amend the terms of reference accordingly, to reflect the Board's views and provide an update at the next meeting.

RESOLVED: That

- (1) the contents of the report on the revised Pension Board's Terms of Reference be noted;
- (2) the report be deferred for consideration and approval by Council until such a date as to allow further amendments to membership terms be made and legal agreement be sought.

53. Pension Board Draft Annual Report 2018-19

The Board received a draft from the Director of Finance on the Pension Board's Annual Report, setting out actions taken by the Board in the year to 31 March 2019.

Following comments from Board members, an officer undertook to make changes to the wording on meeting frequency (pp.45/46 of the report), following consultation with the Chair. It was agreed that the amended draft Annual Report be circulated for comments to Board members before referring to Full Council for approval.

RESOLVED: That the report be recommended to Council, subject to agreed changes to the wording of the content.

54. Pension Board Work Programme 2019-20 and External Audit Completion Report

The Board received a report of the Director of Finance, which reviewed the Board's actions to date and invited members to comment on the suggested Work Programme for 2019-20. The officer advised that there had been no material changes to the work programme following the external auditor report.

RESOLVED: That

- (1) the report be noted;
- (2) the meeting on 12 December be deferred until 8 January 2020 due to the parliamentary elections;
- (3) the Annual Survey of Pension Board be circulated for comments to members;
- (4) a training session/re-fresher be scheduled for January 2020.

55. Any Other Business

Councillor Lee informed the Board of a recently attended talk on pension investment and fund allocation, suggesting that more focus be attributed to private pension funds going and impact of Brexit going forward.

RESOLVED: That the written notes of the discussion be circulated to members for information.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.20 pm).

(Signed) RICHARD HARBORD
Chair

This page is intentionally left blank



REPORT FOR: PENSION BOARD

Date of Meeting: 8 January 2020

Subject: Pension Fund Committee 18 December 2019

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1 : Investment Dashboard
Appendix 2: Minutes of Pension Fund Committee
18 December 2019

Section 1 – Summary and Recommendations

The report summarises the matters considered by the Pension Fund Committee at the meeting on 18 December 2019, attaches the minutes of the meeting and invites the Board to agree any comments they might wish to make to Pension Fund Committee.

Recommendation

Pension Board is requested to note the report.

Section 2 – Report

1. Matters considered by the Pension Fund Committee at their meeting on 18 December 2019

Report	Comments /Action Taken
Pension Fund Committee – Dashboard and Update on Regular items	<p>Performance Dashboard. See Appendix 1.</p> <p>Pension Fund Committee requested London CIV Chief Investment Officer be invited to present deferred training session prior to the next Committee meeting on 25th March 2020.</p> <p>Members agreed that the Director of Finance arrange a performance review meeting with PIRC and report back on available options</p>
Competition and Markets Authority Order: Setting Investment Consultant Objectives	The Committee reviewed a report which set proposed objectives for the investment consultant. The objectives are required to comply with the Competition and Markets Authority (CMA) Order. The Committees agreed that the amended Terms of Reference of the Independent Advisers and the Consultant be submitted for information to the next meeting of the Committee.
Part II	
Actuarial Valuation 2019 Update	Members received a confidential report of the Director of Finance, which included progress on the triennial valuation to date from the Council’s Actuary, Hymans Robertson LLP . The committee approved the proposed stabilised employer contribution rates for three years from 1 April 2020, and the proposed treatment for the Fund arising from the McCloud ruling.
Investment Strategy Review Outline	Members received a confidential report of the Director of Finance on the Investment Strategy Review outline and agreed the actions required to progress the Review This included that the Investment Strategy Review meeting be given a priority and take place by January 2020: the Review to address asset classes and investments that are sustainable and low in carbon.

The minutes of the Pension Fund Committee meeting from 18 December 2019 are attached as Appendix 2.

Legal Implications

2. None

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 / Public Sector Equality Duty

5. Was an Equality Impact Assessment carried out? No. There are no direct equalities implications arising from this report.

Council Priorities

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 30 December 2019		

Name: Dawn Calvert	<input checked="" type="checkbox"/>	On behalf of Corporate Director
Date: 30 December 2019		

Ward Councillors notified:	NO
-----------------------------------	-----------

Section 4 - Contact Details and Background Papers

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

Background Papers: None.



Investment Dashboard

Q3 2019

Investment Dashboard

Funding

91.3%

Qtr ▲ 13.7%

Source: Hymans Robertson

Assets

£892m

Qtr ▲ £19m

Note: Q3 2019 funding update based on 2019 AVR assumptions, as opposed to 2016 assumptions used previously.

Liabilities

£977m

Qtr ▼ £148m

Yields & MTA views

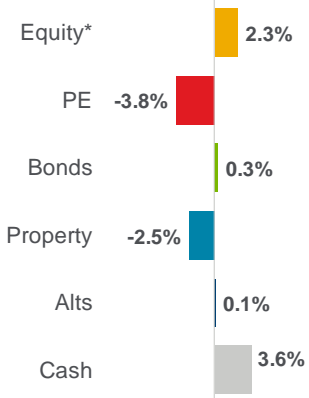
	Now	3yr*		5yr	
		Market Pricing	Aon View**	Market Pricing	Aon View**
Nominal	1.3%	▲ 1.5%	▲ n/a	▲ 1.6%	▲ n/a
Real	-2.0%	▲ -1.8%	▲ n/a	▲ -1.7%	▲ n/a
Inflation	3.4%	= 3.4%	▲ n/a	▼ 3.3%	▲ n/a

Source: Aon *3-year market pricing currently unavailable for real rate and breakeven inflation rate.

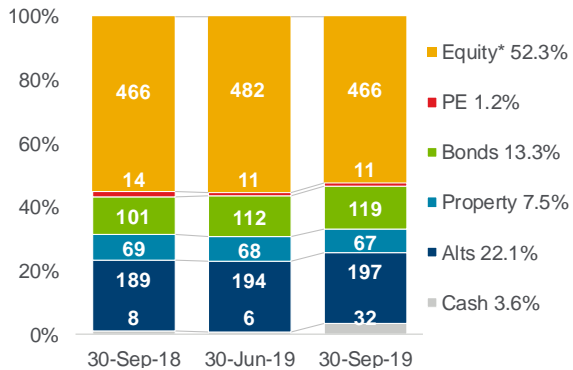
** Given the uncertainty surrounding Brexit Aon's Fixed Income Team has suspended its medium-term projections on rates

Asset Allocation

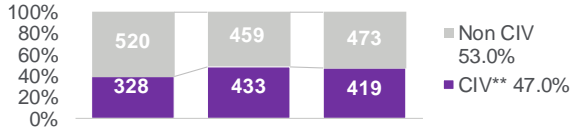
relative to strategic



Absolute



London CIV

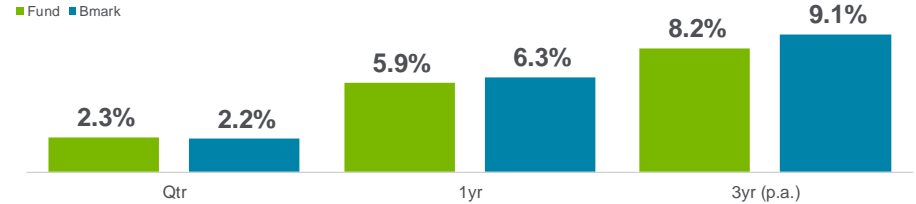


Source: London Borough of Harrow Pension Fund Officers *includes passive currency hedge ** includes passive equity (BlackRock from Q4 2018)

Performance

Absolute

■ Fund ■ Bmark



Relative



Fund and Benchmark Performance Source: PIRC

Managers in Focus

InReview

Qualified

Oldfield Global Equities
GMO Emerging Markets
BlackRock Index-Linked Gilts*
LaSalle UK Property

Below expectations

Sell

Source: Aon

*Aon InForm Assessment

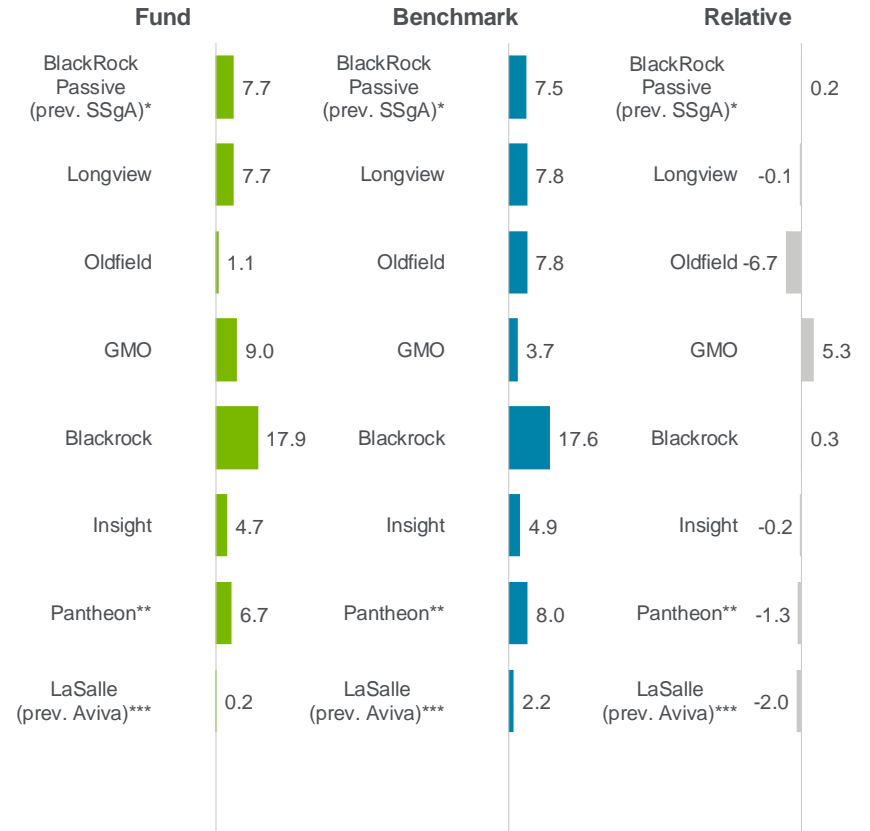
Manager Performance Dashboard

Quarterly

17



12 months



Fund and Benchmark Performance Source: PIRC

*The passive equity assets were moved from SSgA to BlackRock on 7 September 2018

**Pantheon performance uses the previous quarter value adjusted for cash flow in the month

*** Final figures not yet received

Disclaimer

This document and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent, no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document.

Notwithstanding the level of skill and care used in conducting due diligence into any organisation that is the subject of a rating in this document, it is not always possible to detect the negligence, fraud, or other misconduct of the organisation being assessed or any weaknesses in that organisation's systems and controls or operations.

This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we cannot research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard.

Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Aon Hewitt Limited

Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.

Registered in England & Wales No. 4396810

Registered office:

The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the prior written consent of Aon Hewitt Limited.

Aon Hewitt Limited does not accept or assume any responsibility for any consequences arising from any person, other than the intended recipient, using or relying on this material.

Copyright © 2019 Aon Hewitt Limited. All rights reserved.

This page is intentionally left blank

PENSION FUND COMMITTEE

MINUTES

18 DECEMBER 2019

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

* Denotes Member present

† Denotes apologies received

92. Attendance by Reserve Members

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

93. Declarations of Interest

RESOLVED: To note that the following interest was declared:

All Agenda Items

Councillor Norman Stevenson, a member of 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.

94. Minutes

RESOLVED: That the minutes of the meeting held on 11 September 2019, be taken as read and signed as a correct record.

95. Matters Arising from the Minutes of the Meeting held 11 September 2019

Pension Fund Committee – Performance Dashboard and Update on Regular Items (Minute 87)

An officer undertook to ensure that the various documents – an overview of the CIV – referred to in the last paragraph on page 9 of the agenda were sent to all members of the Committee.

He explained why representatives of the London CIV were unable to attend the pre-meeting session of the Committee that evening. The Committee agreed that the London CIV ought to be invited to the next meeting for a pre-meeting session at 5.30 pm and to remain for the Committee meeting scheduled to be held on 25 March 2020 at 6.30 pm when an item would be included on the agenda.

Actuarial Valuation 2019 (Minute 90)

The Director of Finance reported on her discussions with the Council's external auditor, Mazars, regarding the 2019 valuation update. She reported that she had brought the matter to their attention and informed them that the methodology had changed. The change had not been of an immediate concern for Mazars but they would comment further during the audit process in January or February 2020. The Director undertook to inform the Committee of any concerns expressed by Mazars.

96. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

97. Pension Fund Committee - Performance Dashboard and Update on Regular items

The Committee received a report of the Director of Finance, together with appendices 1-5 of which appendix 4 was confidential, which set out

- the draft Work Programme inviting Members' comments and agreement;

- a new investment and management performance dashboard report summarising key fund performance and risk indicators and trigger monitoring report and PIRC Performance Indicators;
- the Fund's performance to 30 September 2019;
- issues raised by Pension Board, if any.

A revised Appendix 5 ' Fund Valuation and Performance – March 2019 to November 2019) was tabled at the meeting to ensure that the Committee was availed of the latest position.

The Committee commented as follows:

Draft Work Programme 2019-20

- the Investment Strategy Review meeting be given a priority and take place by January 2020. The Review to address asset classes and investments that are sustainable and low in carbon. The session could use the Council's Actuary's, Hymans Robertson's, assumption that the McCloud Judgement would not cost more than 3% of the fund's liabilities;
- the 'Meet the Managers' session should also be afforded a priority and that it be arranged after the Investment Strategy Review meeting but before the end of February 2020 with a decision on which Managers to invite to be confirmed following the Investment Strategy Review meeting. It was also important to meet with potential new Managers as well as existing Managers who had not performed well;
- Members ought to give consideration to the impact on fund deficits of high global equities exposure in public sector pension schemes and whether the amount of equity investment needed to be altered.

Pension and Investment Consultants Limited (PIRC)

- Members agreed that the Director of Finance arrange a performance review meeting with PIRC and report back on available options; the meeting to include the Independent Adviser, Colin Robertson.

Summary Performance Dashboard for period ended 30 September 2019

- the Investment Dashboard showed an increase in the funding level by 14% partly due to new methodology used in the 2019 actuarial valuation;
- it was important that correct benchmarking data was made available to the Committee for investments in infrastructure as this impacted on reported performance;

- concern was expressed about underperformance by some Fund Managers to a given benchmark. In response, Aon drew the Committee's attention to page 30 of the agenda which set out the report from the PIRC as this showed that, in the longer term, the performance was good and close to the equity market performance;
- in response to a question Aon said that due to the uncertainty around Brexit and the problems facing the High Street, a 2% benchmark return for property over a year was correct;
- an Independent Adviser suggested the potential for use of specialist fund of funds and/or close ended funds for property investment. Aon explained that the current Fund Manager invested in certain sectors to provide a 'vanilla' effect and looked at opportunistic investments which provided a higher return. Aon suggested a 'watching brief' and explained that the London CIV (Collective Investment Vehicle) did not currently have any available options. He agreed with the need to reconsider investments in property and examine mandates outside of the London CIV;
- Aon reported that the Fund did not have a problem with liquidity but agreed that wider discussion should take place during the review of the Investment Strategy;
- the issue of high fees also needed addressing as the fees for multi-asset management were high.

Quarterly Trigger Monitoring

- Aon suggested that the trigger monitoring document was considered redundant as "gilt plus" was no longer used in the actuarial valuation. Members thought the report to be of value and agreed that it continue to be provided at future meetings.

PIRC Report

- an Independent Adviser explained that for periods to the end of March 2019, the Fund had performed well relative to the PIRC local authority universe. The report from the PIRC compared all the funds and set out average performance;
- however, performance also needed to be measured against the fund strategic benchmark and here the performance had been disappointing. This had been attributable to manager selection more than to asset allocation.

RESOLVED: That

- (1) subject to comments set out in the preamble above, the Work Programme for the period up to March 2020 be agreed;

- (2) the comments on the performance and investment dashboard be noted;
- (3) the comments in the preamble be noted and the Director of Finance be requested to arrange the relevant meetings.

98. Competition and Markets Authority Order: Setting Investment Consultant Objectives

The Committee received a report of the Director of Finance, which set out the proposed objectives for the investment consultant to comply with the Competition and Markets Authority (CMA) Order.

Aon introduced the report and reported on the 2018 CMA review of the investment consultant and fiduciary management markets following which an Order was issued which required Pension Fund Trustees, including the Local Government Pension Scheme,

- to set objectives for their investment consultants closely linked to the pension scheme's strategic objectives;
- the objectives to be reviewed at least every three years and after a significant change to the investment strategy;
- the performance of the investment consultant to be reviewed annually.

The CMA Order took effect from 10 December 2019. The Committee had appointed investment consultant, Aon, to advise Harrow Pension Fund and Harrow Pensions Committee and Board on all matters concerning the Pension Fund's investments. The Committee had also appointed Independent Advisers.

Aon provide regulated professional investment consultancy services.

The Committee made the following comments:

- that Aon should monitor the London CIV (Collective Investment Vehicle). In response, Aon pointed out that they would continue to monitor the Managers within the CIV but could not monitor the CIV due to a commercial conflict;
- sub-heading 2 'Implementation' on page 44 of the agenda be amended to include: The Investment Consultant (IC), Aon, would comment on the performance of the London CIV';
- in the first bullet point of the same section, 'Independent Advisers' should be added;
- in the second bullet point of the same section, 'understanding' to be amended to 'understanding and assessing';

- paragraph 4 on page 40 of the agenda on the role of advisers be amended to read: The independent advisers provide an independent perspective and used their expert knowledge to inform the debate on the issues in front of the Committee. Independent Advisers did not provide regulated independent advice. It was agreed that the Terms of Reference of the Independent Advisers be presented to the next meeting of the Committee;
- page 44, Section 1 - Strategy to read 'The IC will support the Committee with respect to Responsible Investment (RI) and stewardship matters.

RESOLVED: That the report be noted and that the Terms of Reference of the Independent Advisers and the Consultant be submitted for information to the next meeting of the Committee.

99. Urgent Business

The following matters were considered to be urgent to allow the Committee to be availed of the latest position.

(1) Independent Advisers

In response to a question, an officer reported on the position relating to the appointment of Independent Advisers and that a further report would be submitted to the March 2020 meeting of the Committee following a procurement process.

(2) Report on the London CIV

An Independent Adviser reported on the resources available at the London CIV (Collective Investment Vehicle) which appeared to be challenging.

The Chair and an officer who attended meetings of the London CIV also reported on the situation at the London CIV. Members also referred to local authorities that had not yet invested through the London CIV.

A discussion ensued and Aon advised how the London CIV worked and that it was not managing the money directly and that the funds were managed by the Fund Managers appointed by the CIV. The local authority could withdraw the money if the Fund Managers were not performing although the money would need to be reinvested in another fund within the CIV. An Independent Adviser was of the view that the 'menu' from the CIV was restrictive. Another Independent Adviser pointed out that the choice of fund manager was much wider at the CIV than at the other pools. Indeed at other pools, funds only got to choose the asset class not the manager.

The Chair stated that the performance of the Committee in the last 8 to 10 years in managing the Fund had been good. However, since then,

there appeared to be no choice but to invest through the London CIV and there were concerns over its operation. Members considered whether the matter ought to be brought to the attention of the LGA (Local Government Association).

100. 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 items for the reasons set out below:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
11.	Pension Fund Committee - Performance Dashboard and Update on Regular items – Appendix 4	Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
12.	Actuarial Valuation 2019 Update	Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
13.	Investment Strategy Review Update	Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

101. Pension Fund Committee - Performance Dashboard and Update on Regular items

[See Minute 97]

102. Actuarial Valuation 2019 Update

Members received a confidential report of the Director of Finance, which included progress on the triennial valuation to date from the Council's Actuary, Hymans Robertson LLP, the proposed stabilised employer contribution rates for three years from 1 April 2020, and the proposed treatment for the Fund arising from the McCloud ruling.

An officer introduced the report and referred to paragraph 3 of the report as set out on page 56 of the agenda. He reported that the improvement in the funding level had been, in part, due to the change in methodology by the Council's actuary. He referred to the details set out on the McCloud Judgement on page 63 of the agenda.

RESOLVED: That

- (1) the proposed employer contribution rates for three years from 1 April 2020, for the Council and other long term stable employers, be noted;
- (2) the proposal for how the Fund allows for the McCloud ruling until the remedy to the McCloud ruling was confirmed be noted;
- (3) the proposed amended wording to be made to the Funding Strategy Statement to administer the McCloud ruling in relation to cessation valuations be noted.

103. Investment Strategy Review Update

The Committee received a confidential report of the Director of Finance which requested consideration of the proposed Investment Strategy Review update last undertaken in 2017 following the 2016 Actuarial Valuation. It was considered appropriate to review the current investment strategy as the Fund's actuary, Hymans Robertson LLP, was undertaking the 2019 Actuarial Valuation.

The Investment Strategy Review would assess the risk and return characteristics of the Pension Fund's current investment strategy and provide suggestions of alternative investment strategies for the Committee to consider, if appropriate.

Members noted that a discussion had ensued earlier (Minute 97 refers) and made the following further comments:

- in July 2019, full Council had adopted a Motion on 'Declaring a Climate Emergency' and this needed to be reflected in the Review. Aon advised that Fund Managers were required to report on investments and whether these were climate friendly;
- that the five points reflected on page 79 of the agenda ought to be enshrined in the Review. Fund Managers ought to advise the Committee on an annual basis setting out how the Council's policy was being implemented.

An officer advised that the London CIV had carried out a Responsible Investment, Environmental, Social and Governance (ESG) stocktake survey which set out the LCIV members' current position and which could be incorporated in the Investment Strategy Review.

RESOLVED: That, having considered the Investment Strategy Review outline as set out at Appendix 1 to the report, the actions required to progress the Review be agreed.

(Note: The meeting, having commenced at 5.06 pm, closed at 6.52 pm).

(Signed) COUNCILLOR KEITH FERRY
Chair

This page is intentionally left blank



REPORT FOR: PENSION BOARD

Date of Meeting: 8 January 2020

Subject: Pension Administration Performance Monitoring to 30th September 2019.

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1: Pension Administration Performance Monitoring Q2 to 30th September 2019.

Section 1 – Summary and Recommendations

This report presents the Board with performance monitoring information for the quarter ending 30th September 2019.

Recommendation

Pension Board is requested to note the report.

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. 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 also been monitoring comparative pensions administration indicators since June 2017.

2. The Pensions administration performance statistics measured against the national benchmarks for Quarter 2 to 30 September 2019 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 September 2019, with previous years to 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

Table 1 Pension Members to 30 June 2019				
	31 March 2017	31 March 2018	31 March 2019	30 September 2019
Pensioners	5,576	5,760	5,795	5,408
Deferred	6,925	7,115	6,966	6,925
Active Members	5,659	5,557	5,400	5,659
% Active Members	31.2%	30.1%	29.7%	31.5%
Total	18,160	18,432	18,161	17,992

Requirement to Report Breaches of Law

4. Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 20th September 2018.
5. There have been no known breaches of law in the current financial year.

Internal Disputes Cases and Complaints

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

Issue of Annual Benefit Statements

7. All benefit statements were published and distributed in early August well before the 31 August 2019 deadline.

Payment of Employer Contributions

8. 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 due date.

Legal Implications

9. None

Financial Implications

10. 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

11. Relevant risks are included in the Pension Fund risk register

Equalities implications / Public Sector Equality Duty

12. Was an Equality Impact Assessment carried out? No. There are no direct equalities implications arising from this report.

Council Priorities

13. 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



Chief Financial Officer

Date: 30 December 2019

Name: Dawn Calvert



On behalf of Corporate Director

Date: 30 December 2019

Ward Councillors notified:

NO

Section 4 - Contact Details and Background Papers

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

Background Papers: None

This page is intentionally left blank

Appendix 1 Q2 Performance Monitoring 01/07/2019 – 30/09/2019 -

SERVICE	Harrow Actual within National Target	National Benchmarking Target	Harrow Performance against National Target %
Issue letter notifying of dependent's benefit in 5 days	15/15	5 days	100
Calculation and notification of retirement benefits estimate in 10 days	54/54	10 days	100
Issue letter to new pension provider detailing transfer-out quote in 10 days	4/4	10 days	100
Calculation and notification of deferred benefits in 10 days	113/113	10 days	100
Process refund and issue payment within 5 days	33/33	5 days	100
Calculation and notification of actual ill health benefits within 5 days	7/9	5 days	100
Contact next of kin on notification of death in 3 days	47/47	5 days	77.78
Issue statutory notification on receipt of transfer funds in 8 days	10/10	10 days	100

This page is intentionally left blank



REPORT FOR: PENSION BOARD

Date of Meeting: 8 January 2020

Subject: Scheme Advisory Board; Review of Governance in the Local Government Pension Scheme.

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1: Good Governance In the LPGS (Phase II report from Working Groups to the Scheme Advisory Board)

Appendix 2: Gap Analysis

Section 1 – Summary and Recommendations

The reports summarises the recommendations to date from the Scheme Advisory Board Review of the effectiveness of Local Government Pension Scheme Governance Arrangements.

Recommendation

Pension Board is requested to note the report.

Section 2 – Report

1. The Scheme Advisory Board (SAB) commissioned a review of the effectiveness of current Local Government Pension Scheme (LGPS) governance models and to consider alternatives or enhancements to

existing models which can strengthen LPGS governance going forward whilst maintaining strong links to local democratic accountability.

2. Hymans Robertson LLP was awarded the commission. Following an extensive consultation with stakeholders, they published their initial report 'Good Governance in the LGPS', in July 2019. Their findings in summary were:

- (i) Outcomes based approach to LPGS governance with minimum standards rather than are a prescribed governance structure.
- (ii) Use of an outcomes-based model with regular independent review of governance.
- (iii) Enhanced training requirements for section 151 Officers and Pension Fund Committee members on a par with Local Pension Board Members.
- (iv) Requirement to update relevant guidance to clarify statutory and fiduciary responsibilities.

3. Hymans Robertson set up two Working Groups to develop their initial findings. These findings were reported in 'Good Governance in the LPGS .Phase 2, November 2019.' These recommendations are set out in Appendix 1 to this report.

4 If accepted by MHCLG statutory guidance would be required to implement the Working Group proposals. The report recommendations include:

- Production of statutory guidance by MHCLG to establish new governance requirements for funds
- The requirement to publish an annual governance statement signed by the nominated 'LGPS Senior Officer' to set out how they comply with the governance requirements.
- The requirement to publish a policy on the representation of scheme members and non-administering authorities on its committees
- Formalisation of knowledge and understanding training for key individuals within the LPGS in particular those on decision-making Committees.
- Service delivery to include publication of an administration strategy and inclusion of the administering authority in the business planning process.
- Biennial Independent Governance Review of the administering authority with a required improvement plan if any issues identified.

Gap Analysis

6. At present the Council is substantially compliant with the proposed governance requirements and will review current policies to ensure compliance with the guidance and best practice. (See Appendix 2 Gap Analysis.)

Legal Implications

- 7 None at this stage.

Financial Implications

- 8 The costs of implementing governance recommendations will be met from the Pension Fund.
- 9 Relevant risks are included in the Pension Fund risk register

Equalities implications / Public Sector Equality Duty

- 10 Was an Equality Impact Assessment carried out? No. There are no direct equalities implications arising from this report.

Council Priorities

- 11 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



Chief Financial Officer

Date: 30 December 2019

Name: Dawn Calvert



On behalf of Corporate Director

Date: 30 December 2019

Ward Councillors notified:

NO

Section 4 - Contact Details and Background Papers

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

Background Papers: None



Good governance in the LGPS

Phase II report from Working Groups to SAB

November 2019

Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

Euan Miller Assistant Director of Pensions (Funding and Business Development), Greater Manchester Pension Fund

Peter Moore Chair of CIPFA's Pensions Panel

Mark Wynn Director of Corporate Services at Cheshire West and Chester Council, SCT

Nick Gannon TPR

Con Hargrave MHCLG

Jenny Poole Head of Finance & Audit/GO Shared Services at Cotswold District Council

John Raisin Independent Advisor

Joe Dabrowski Head of DB, LGPS and Standards, PLSA

Karen McWilliam Consultant, Aon

Jeffrey Dong Chief Treasury Officer at City & County of Swansea, SWT

Caroline Holland Director of Corporate Services at London Borough of Merton, SLT

Nicola Mark Head of the Norfolk Pension Fund, Practitioner representative to SAB

Annemarie Allen Consultant, Barnet Waddingham

Chris Moore Director of Corporate Services and Section 151 Officer, Carmarthenshire County Council

Rachel Brothwood Director of Pensions, West Midlands Pension Fund

Robert Holloway SAB secretariat, LGA

Jeff Houston SAB secretariat, LGA

Jon Richards Unison

David Aldous National Audit Office

Yvonne Johnson Chair of the Pension Fund Panel, London Borough of Ealing, Scheme Employer Representative, SAB.

Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law

Contents

Terminology	1
Workstream 1: Standards and outcomes	3
Workstream 2: Compliance and improvement	4
Next steps.....	6
Appendix A: Summary of recommendations.....	22

Terminology

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

Committee. A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

Workstream 1: Standards and outcomes

Proposals and background

A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.



B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.



D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to update last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.





E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

E.2 Each administering authority must publish an administration strategy.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

Workstream 2: Compliance and improvement

F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
 - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
 - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
 - c. It is critical that the IGR should be conducted by appropriate persons who:
 - properly understand the LGPS;
 - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
 - are in some way “accredited” to ensure consistent standards of review.
 - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
 - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
 - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
 - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
 - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
 - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
 - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
 - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
 - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
 - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
 - n. Failure to submit an IGR report by the required date will result in automatic referral.
 - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
 - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





F. Compliance and improvement (continued)

- 2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

F.2 LGA to consider establishing a peer review process for LGPS Funds.

Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG

Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



Appendix A

Summary of recommendations

Area	Proposal
A. General	A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
	A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
B. Conflicts of interest	B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
C. Representation	C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
D. Knowledge and understanding	D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
E. Service delivery for the LGPS function	E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes.
	E.2 Each administering authority must publish an administration strategy.
	E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.
	E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
F. Compliance and improvement	F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.



Appendix 2 Gap Analysis Good Governance Review

Area	Ref	Proposal	Action Required by Harrow
A General	A1	MHCLG Statutory Guidance	Ensure compliance subject to statutory guidance
	A2	Single named officer responsible for all LGPS related activity for fund	Already Compliant (S151) is responsible for whole fund
	A3	Publish governance statement signed by S151 officer	Subject to statutory guidance A1
B Conflicts of Interest	B1	Funds to publish conflicts of interest policy including perceived conflicts identified in guidance	Harrow has Member conflicts of interest policy and guidance but this would need expanding to include all new requirements of guidance.
	B2	Guidance should refer to all those involved in management of LPGS to guide on fiduciary and statutory duty	Harrow would action this requirement and include on Pension Fund Committee (PFC) Work Programme
C. Representation	C1	Publish a policy on the representation of scheme members and non-administering authorities on its committees	Already set out in Pension Board Terms of Reference & Council Constitution in respect of PFC. Review current arrangements to ensure compliance.
D Knowledge and Understanding	D1	Requirement in Guidance for key individuals within LGPS including Officers and Members to have appropriate level of knowledge and understanding to undertake role effectively	Training programme already in place. Review current arrangements to ensure compliance
	D2	Requirement for Section 151 officer to carry our LPGS training as part of CPD	As D1
	D3	Administering authority to publish training policy	As above

Appendix 2 Gap Analysis Good Governance Review

	D4	CIPFA to be requested to produce training policy and include LGPS training within training qualification	CIPFA Action
E Service Delivery for the LPGS function	E1	Publish Roles and Responsibilities Matrix to reflect scheme of delegation	New requirement
	E2	Publication of administration strategy	New requirement for Harrow
	E3	Report fund performance against set of indicators designed to measure standards of service	Harrow already reports against key indicators Expand Aon Dashboard.
	E4	Administering Authority must include Committee in Business Planning Process and agree budget allocated to deliver LGPS service over next financial year	Budget agreed as a part of the annual budget setting process but not currently reported to PFC in advance.
	E5	Administering Authority to consider pay and recruitment policies relevant to needs of pension function not apply general council staffing policies such as recruitment freeze	Council's terms and conditions of employment apply to pension function and include scope for market factor supplement.
F Compliance and improvement	F1	Biennial Independent Governance Review of the administering authority with a required improvement plan if any issues identified	New requirement
	F2	LGA to consider establishing a peer review process for LPGS funds	(LGA action)



REPORT FOR: PENSION BOARD

Date of Meeting: 8 January 2020

Subject: Pension Board Work Programme 2019-20 and 2020-21.

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary and Recommendations

This report reviews the Pension Boards' actions to date and invites the Pension Board to comment on a suggested work programme for 2019-20 and for 20-21

Recommendation

Pension Board is requested to note the workplan and to comment

Section 2 – Report

1. Pension Board meets quarterly. A suggested work programme for 2020-2021 based on matters considered in 2019-20 on which the Board's comments are invited is as follows:

Matter for Consideration	Board Meeting
Pensions Administration – Performance monitoring	Quarterly report to Pension Board
Pension Fund Dashboard including Long term cashflow and funding	Considered by Pension Fund Committee at each meeting and by Board in review of PFC minutes quarterly
Latest Pension Fund Committee Meeting Summary of Reports	Considered at each meeting of Pension Board
London CIV and its approach to Environmental, Social and Governance Issues	Presentation from London CIV to Pension Board 11 July 2019. Updates at quarterly Board Meetings
Annual Report and Financial Statements for year ended 31 March 2019	Draft Report 11 July External Audit Report September 26 Meeting
Pension Board Draft Annual Report to Council	26 September 2019
Scheme Advisory Board Local Pension Board Survey	8 January 2020.
Risk Register Review	Pension Fund Risk Register last considered on 5 December 2018.
Scheme Advisory Board Review of LGPS Governance	8 January 2020.
Knowledge and skills requirements	Reviewed quarterly.
Actuarial Valuation 2019	Review April 2020
External Audit Plan	Review April 2020
Funding Strategy Statement	Review April 2020
Investment Strategy Statement	Review April 2020
Governance Compliance Statement	Review April 2020
Communications Policy Statement	Review April 2020
Review of Internal Controls at fund managers	2019-20 internal control reports review April 2020

**Proposed Pension Board Meetings 2019-20
(2020-21 dates to be confirmed)**

11 July 2019
26 September 2019
8 January 2019 (replaces 12 December instead of 13 November)
20 April 2020 (instead of 18 March).

Pension Fund Committee meetings 2019-20

Wednesday 26 June 2019
Wednesday 11 September 2019
Tuesday 26 November 2019
Tuesday 25 March 2020

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.

Legal Implications

3. None

Financial Implications

4. 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

5. Relevant risks are included in the Pension Fund risk register.

Equalities implications / Public Sector Equality Duty

6. Was an Equality Impact Assessment carried out? No. There are no direct equalities implications arising from this report.

Council Priorities

7. 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 Chief Financial Officer

Date 30 December 2019

Name: Dawn Calvert On behalf of Corporate Director

Date: 30 December 2019

Ward Councillors notified: NO .

Section 4 - Contact Details and Background Papers

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

Background Papers: None