

REPORT FOR: Pension Fund Committee

Date of Meeting:	18 th September 2013
Subject:	Information Report - Update Report and Action Points from Previous Meetings
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No.
Enclosures:	Appendix 1 - Action Points Appendix 2 – Meeting Plan 2013-14 Appendix 3 – Membership and Remit

Section 1 – Summary and Recommendations

This report provides an update (appendix 1) of actions taken since the last meeting.

FOR INFORMATION

Section 2 – Report

1. An update of actions taken from prior meetings is summarised in appendix 1. Additional comments are given below.

Government Consultations

2. The Government have issued two consultations considering the structure of the LGPS.

Call for Evidence on the Future Structure of the LGPS

3. This consultation on the future structure of Local Government Schemes ends on 27th September and highlights the following objectives for structural reform.

High Level Objectives

Dealing with deficits
Improving investment returns

Secondary Objectives

To reduce investment fees
To improve the flexibility of investment strategies
To provide for greater investment in infrastructure
To improve the cost effectiveness of administration
To provide access to higher quality staffing resources
To provide more in-house investment resource.

4. The consultation questions centre on the appropriateness of the objectives, the importance of local accountability and alternatives means of achieving this, how to achieve transparency and comparable data disclosures and which options for reform best meet the objectives.

Discussion Paper on New Governance Arrangements for LGPS

5. The discussion paper proposed new bodies with responsibilities for the LGPS. These include “Responsible Authority” (DCLG), “Scheme Manager” (the Council or a committee) and the “Pension Board” (a committee of the Council). The Scheme Manager is responsible for managing or administering the Scheme. The Pension Board has responsibility for assisting the Scheme Manager in securing compliance with regulations and legislation. Requirements for equal representation of employer and member representatives falls on the Pension Board as does conflicts of interest and knowledge and skills requirements.
6. The main question in the consultation is whether the Scheme Manager and Pension Board should be separate entities or a single entity. The Government will make a ruling after the consultation. The consultation ends on 30th August 2013.

Lead member Roles

7. At the last meeting, the Chairman suggested that the Committee consider appointing Lead Members for specific topics who would lead the debate when their topic was discussed. Suggested roles comprise:
 - Committee Governance – Membership and remit
 - Regulation
 - Training
 - Monitoring and feedback for advisors and officers
 - Business plans, objectives, risk management and meeting agenda
 - Actuarial and Member / Employer related issues.
 - Strategy
 - Manager appointments and monitoring (could be split between equity, bond, property and alternatives).
 - Ethical investing and voting

8. It is suggested that the earlier topics are perhaps best reserved for the Chairman. Given the wide range of issues, some of which are not currently discussed, the allocation of lead roles could be extended to the Co-optee member and union appointed observers.
9. To make the role effective, officers should engage with Lead Members when drafting papers for meetings.

Independent Advisor

10. The Committee has previously discussed increasing the resources available to the Committee and in doing so preferring to look at a second advisor rather than appoint additional Members to the Committee. The Pension Fund Committee structure has been altered to remove oversight by the L&GPC, which places additional onus on the Committee to consider its decision making capacity.
11. Currently, the Committee has one advisor at Committee level, Howard Bluston. It is also advised by officers, Aon Hewitt and Hymans Robertson. Advice is also available from fund managers.
12. In most pension schemes detailed proposals are submitted to the Committee by officers and investment and actuarial consultants. The role of the Committee is to set direction, scrutinise the proposals submitted, decide which to accept and monitor progress. The role of the independent advisor can vary between that of an additional 'member' of the committee at one end, to supplementing or replacing the role of officers and the investment consultant. The current advisor to the Committee mostly operates as an additional committee member but also supports officers outside meetings with advice. Some independent advisors undertake manager monitoring visits with officers and will write / present reports for the Committee and undertaking projects that would previously have been completed by the investment consultant or officers.
13. Should the Committee wish a second advisor, it needs to decide the extent of duties and whether this goes beyond being a critical friend / offering a second opinion on reports provided by officers and the investment consultant. Legal Department have commented that any additional advisor should not have voting rights.
14. The level of remuneration will normally depend on the exact role and the experience of the advisor. Assuming that the advisor is a former consultant, actuary, fund manager, director of finance or chief investment officer for a significant pension fund, then for attendance at quarterly meetings and being available for occasional additional meetings and calls with officers, the norm is around £3,000 a quarter, £12,000 a year. If annual meetings with each of the managers at their premises are added, then £15,000 is closer to the mark. Advisors who have a level of affinity with the Council may charge less than the market rate.
15. Appointments can be by recommendation or through an open appointment process. Procurement will need to be involved.

Occasionally, vacancies are advertised in the Financial Times. If a local volunteer is sought, the Harrow web could be used to announce the role.

Section 3 – Further Information

16. See appendix 1.

Section 4 - Financial Implications

17. Financial implications are discussed in the paper where relevant.

Section 5 – Equalities Implications

18. Was an Equality Impact Assessment carried out? Yes.

19. There are no direct equalities implications relating to the Pension Fund.

Section 6 - Corporate Priorities

20. Corporate Priorities are not applicable to the Pension Fund as it does not have a direct impact on Council's resources.

Section 7 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 5 September 2013		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 28 August 2013		

Section 8 - Contact Details / Background Papers

Contact: George Bruce (Treasury and Pension Fund Manager) Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: Nil

London Borough of Harrow

Pension Fund Investment Committee

Update Report and Action Points – 13 August 2013

Issue/decision	Source	Action Taken	Next Steps
<u>Responsible Investment</u> RESOLVED: That the report be deferred to a future meeting and officers, as part of this, be requested to address the comments above.	15 Nov 2011 Minute 125	Additional information on the legal position, union views, investment manager stance and income / cost impact is being collected.	Ongoing.
<u>Governance of the PFIP</u> RESOLVED: (3) that consideration be given to expand the membership of the Pension Fund Investment Committee to include two independent, co-opted members to act in an advisory capacity;	Nov 2012 Minute 186	See comments above.	Ongoing
<u>WM Presentation</u> The report was noted.	Jun 2013 min 6	N/A	Complete
<u>Pension Fund Service Outsourcing</u> The report was noted.	Jun 2013 Min 7	N/A	Complete
<u>Review of SIP</u> The SIP was approved.	Jun 2013 Min 8	The revised SIP has been posted on the pension web site.	Complete
<u>Equity Beliefs</u> (1) the Committee's views be noted, and a report considering changes to the equity portfolio be prepared by Aon Hewitt; (2) Training be arranged to develop Members' understanding of the issues involved and inform robust decision making in respect of the	Jun 2013 Min 9	Further paper from Aon Hewitt on agenda. Training will be provided to support agenda items.	Complete Complete

Council's Pension Fund.			
<u>Infrastructure and Local Investing</u> That the report be deferred to a future meeting of the Pension Fund Committee	Jun 2013 Min 10	N/A	On agenda
<u>External Audit Plan 2012-13</u> The report was noted.	Jun 2013 Min 11	The audit is substantially complete and the audit conclusions will be presented to the September meeting.	Complete.
<u>Update Report and Action Points</u> The report was noted	Jun 2013 Min 12	N/A	Complete
<u>London Pension Fund Collaboration</u> (1) the investigation of voluntary collaboration models for London pension funds, including a collective investment vehicle, be supported; (2) The Committee be kept informed of future developments.	Jun 2013 Min 13	The Government has issued a consultation. See comments above	Complete
<u>Any other urgent business</u> (2) That a report be brought to a future meeting of the Committee on the appointment and remuneration of external advisors; (3) That a report be brought to a future meeting of the Committee on the role and possible areas of expertise of Lead Members.	Jun 2013 Min 14	N/A N/A	See comments above See suggestions above.
<u>Information Report – Investment Manager Monitoring</u> The report was noted.	Jun 2013 Min 16	N/A	Complete
<u>Information Report – Performance of Fund Managers</u> (1) the report be noted; (2) members be canvassed for their availability and an informal meeting with Fund Managers be arranged	Jun 2013 Min 17	A manager presentation day has been	Complete Complete

for October		arranged for 31 st Oct 2013	
<p><u>Skills Training by Hymans Robertson</u></p> <p>(1) Officers to identify the price of the CIPFA framework, and to then inform each member. If they all agree to the cost of it then to order a copy for each member (including reserve members); and</p> <p>(2) Each member is able to do the online training course on the Hymans website.</p>	Jun 2013 Training	<p>CIPFA Framework cost is £45.00 and £4.50 for postage.</p> <p>CIPFA's "Technical Guidance for elected representatives" is available at £100.00</p> <p>Hymans has a knowledge portal with free access for members.</p> <p>The "training needs analysis" (TNA) offered by Hymans starts at £350.00</p>	<p>Ongoing</p> <p>Ongoing</p>
<p><u>Governance</u></p> <p>(1) Information to be provided on recruiting external advisors and the benefits of having them.</p> <p>The Chair recommended officers have a discussion with Susan Dixon on the concept of speciality of expertise for members to adopt.</p> <p>(2) Officers to arrange a Presentation day by the managers in October half-term, seeing as none of the Members were able to attend the one on 30th May 2013.</p> <p>(3) Officers to provide a 12 month cash-flow forecast for the Members to review the cash status of the Pension Fund.</p>	Jun 2013 Training	<p>See above</p> <p>Arranged for 31st October.</p> <p>Cashflow is included within the quarterly valuation report.</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p>

Meeting dates 2013-14

Quarter 4 25/11/13	Quarter 1 19/03/14	Quarter 2 2014	Quarter 3 2014
Investments			
BlackRock bond options	Annual Strategy Review (post valuation update) and Rebalancing	Annual WM presentation	
Voting and Company Engagement by Fund managers	Property and Private equity reviews	Annual review of Statement of Investment Principles	
Manager Monitoring	Manager Monitoring	Manager Monitoring	Manager Monitoring
Valuation & performance	Valuation & performance	Valuation & performance	Valuation & performance
Actuarial, Employers and Members			
Actuarial valuation and Funding Strategy Statement	Funding Strategy Statement Review		
Accounting			
		Audit Plan	Annual Accounts and Auditor's Report.
Committee & Meeting Administration and Governance			
Update Report	Update Report	Update Report	Update Report
	Meeting plan 2014-15		
Training			
What makes an effective Pensions Committee – a view from another LGPS scheme	Impact of the 2014 LGPS Regulations		

PENSION FUND COMMITTEE

	Conservative	Labour	Independent Labour	Ungrouped
	(2)	(2)	(0)	(0)
I. Members	Tony Ferrari Richard Romain (CH) *	Keith Ferry * Sachin Shah		
II. Reserve Members	1. Stephen Wright 2. Kam Chana	1. Bill Phillips 2. Bill Stephenson		

Harrow UNISON Co-optee (Non-voting): Steve Compton
 GMB Co-optee (Non-voting): Sanjay Karia
 Co-optee (Non-voting): Howard Bluston

(CH) = Chair
 * Denotes Group Members for consultation on Delegated Action and/or administrative matters.

PENSION FUND COMMITTEE

The Pension Fund Committee has the following powers and duties:

to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;

the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;

to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

to establish a strategy for the disposition of the pension investment portfolio; and

to appoint and determine the investment managers' delegation of powers of management of the fund.