

REPORT FOR: Pension Fund Committee

Date of Meeting:	25 November 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 – Update Report and 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 and of the meeting plan 2013-14 (appendix 2).

FOR INFORMATION

Section 2 – Report

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

Call for Evidence on the Future Structure of the LGPS

2. The consultation on the future structure of the LGPS ended on 27 September. The consultation had been conducted by the Department for Communities and Local Government and the Local Government Association together with the shadow LGPS advisory board which was established in May to encourage best practice between schemes.
3. It has been reported that more than 120 submissions were made from councils, LGPS funds and pension experts and the Government's response is awaited.
4. However, on 18 October the Local Government Minister announced that the Government was pushing ahead with scheme reform and that he had commissioned a report to examine three options: a single national investment fund vehicle; a small number of closely aligned combined investment vehicles; an outright merger of the 89 existing funds.

“Meet the Managers” Day

5. On 31 October all Members of the Committee met eight of the Fund's investment managers and received reports from each on their past performance and the prospects for the future.
6. Members received the managers' reports with varying degrees of satisfaction and asked that further work be undertaken as follows:
 - **Pantheon Ventures**
Risk / return relationship for private equity overall and, if possible, on Pantheon portfolio.
Possibility of further training on private equity from AonHewitt / Pantheon
 - **Aviva Investment Global Services Ltd**
Should Harrow be seeking a more bespoke fund?
Should the mandate go beyond UK?
Benchmark options and recommendation
 - **BlackRock Inc**
AonHewitt and BlackRock to review the bond strategy with consideration of the range of options from passive to global unconstrained together with benchmarks and fees
UK gilts – would the 10 years' index be better than the 5 years?
Corporate bonds – review applicability of index.

- **Baring Asset Management**

Detailed and straightforward explanation of the cash losses over the first few months

Emerging markets – why is the AonHewitt view apparently very different from the Barings view?

Lead member roles

7. At the last meeting, the Chairman asked that officers canvass all Members and Reserve Members of the Committee for their preferences in undertaking a “Lead Member” role in the areas listed below:
 - a. Committee Governance – Membership and remit
 - b. Regulation
 - c. Training
 - d. Monitoring and feedback for advisers and officers
 - e. Business plans, objectives, risk management and meeting agenda
 - f. Actuarial and Member / Employer related issues.
 - g. Strategy
 - h. Manager appointments and monitoring (could be split between equity, bond, property and alternatives).
 - i. Ethical investing and voting
8. The results of the canvass are reported elsewhere on the agenda.

Independent Adviser

9. At the last meeting the Committee agreed that officers prepare a role and person specification for the role of Independent Adviser to the Committee to be brought to the next meeting
10. The draft specification is presented elsewhere on the agenda.

Annual Pension Scheme Accounts and Auditor’s Report

11. On 24 September, the Governance, Audit and Risk Management Committee received the Pension Fund Annual Report and the report of the Council’s Appointed Auditor.
12. At the meeting the Auditor highlighted two suggestions in respect of segregation of duties for bank reconciliation. The Director of Finance and Assurance replied that his team was currently undergoing a restructure and that the issue of segregation of duties would be addressed through this.
13. No amendments were made to the report and The Council’s Statement of Accounts, which include the Pension Fund Accounts, was signed by the Chairman of the Governance, Audit and Risk Management Committee and the Appointed Auditor on 27 September 2013.

Equities Options

14. As requested by the Committee on 18 September a revised report prepared by the Council's Investment Adviser was circulated to Members in advance of their meetings with fund managers on 31 October.
15. Comments from Members have been received and have been taken into account in the report elsewhere on the agenda.

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: 11 November 2013		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 11 November 2013		

Section 8 - Contact Details / Background Papers

Contact: Ian Talbot (Treasury and Pension Fund Manager)
Tel: 020-8424-1450 / Email: Ian.Talbot@harrow.gov.uk

Background Papers: Nil

London Borough of Harrow

Pension Fund Committee

Update Report and Action Points – 25 November 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 in report.	Ongoing
<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 Council's Pension Fund.	Sep 2013 Min 25	Further paper from Aon Hewitt on agenda. Meeting arranged for 6 th November with Aon Hewitt to support agenda items.	Complete Complete
<u>Infrastructure and Local Investing</u> That the report be deferred to a future meeting of the Pension Fund Committee	June 2013 Min 10	N/A	Ongoing
<u>Annual Pension Scheme Accounts and Auditor's Report 2012-13</u> (1) The report and appendices were noted. (2) Officers note Members'	Sep 2013 Min 22		Complete.

<p>concerns about the current strategy statement</p> <p>(3) Officers to include identified areas of risk when drafting the new Funding Strategy Statement for 2014.</p> <p>(4) Any comments made on the Pension Fund Annual Report at the forthcoming Governance, Audit and Risk Management committee be reported back to the Pension Fund Committee</p>			
<p><u>Update Report and Action Points</u></p> <p>The report was noted</p>	Sep 2013 Min 23	N/A	Complete
<p><u>London Pension Fund Collaboration</u></p> <p>(1) The Committee be kept informed of future developments. The outcome of the consultation on the collaboration models for the London pension funds.</p>	Jun 2013 Min 13	Prepare a report on the outcome.	On agenda for March 2014 PFC
<p><u>Any other urgent business</u></p> <p>(1) That officers prepare a job and person specification for the role of Independent Adviser.</p> <p>(2) That a report be brought to a future meeting of the Committee on the role and possible areas of expertise of Lead Members.</p>	Sep 2013 Min 23	N/A N/A	Report on the agenda Report on the agenda
<p><u>Information Report – Investment Manager Monitoring</u></p> <p>The report was noted.</p>	Sep 2013 Min 26		Complete
<p><u>Information Report – Performance of Fund Managers</u></p> <p>(1) the report was noted</p> <p>(2) An informal meeting with Fund Managers was arranged for 31st October, eight fund managers attended.</p>	Sep 2013 Min 27	The manager presentation day was successfully executed on 31 st October 2013.	Complete Complete
<p><u>Skills Training by Hymans Robertson</u></p> <p>(1) Members chose to purchase the CIPFA code of Practice on Public</p>	Jun 2013 Training	CIPFA Framework CD-ROM was ordered and arrived	Copies will be made and

<p>sector pensions finance knowledge and skills 2013 edition.</p> <p>(2) Each member is able to do the online training course on the Hymans website.</p>		<p>CIPFA's "Technical Guidance for elected representatives" was ordered and arrived</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>brought to the PFC</p> <p>Ongoing</p>
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Meeting Plan 2013-14

Quarter 4 25/11/13	Quarter 1 19/03/14	Quarter 2 June 2014	Quarter 3 September 2014
Investments			
Equities Options	Annual Strategy Review (post valuation update) and Rebalancing	Annual WM presentation	
	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
	BlackRock bond options		
	Voting and Company Engagement by Fund managers		
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
Role and Person Specification for Independent Adviser	Meeting plan 2014-15		
Lead Member Arrangements			
Training			
	Impact of the 2014 LGPS Regulations	What makes an effective Pensions Committee – a view from another LGPS scheme	

PENSION FUND COMMITTEE - MEMBERSHIP AND REMIT

	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.