

REPORT FOR: Pension Fund Committee

Date of Meeting:	29 July 2014
Subject:	Information Report - Update Report
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No.
Wards affected:	All
Enclosures:	Appendix 1 – Pension Fund Committee - Membership and Powers and Duties Appendix 2 - Advice from Aon Hewitt in respect of GMO

Section 1 – Summary and Recommendations

This report sets out an update of actions taken and other developments since the last meeting of the Committee.

FOR INFORMATION

Section 2 – Report

Lead Member roles

1. At their meeting on 18 September 2013 the Committee agreed that they would appoint Lead Members for specific topics within the purview of the Committee who would lead the debate when the topic was discussed.
2. The Committee agreed that the specific topics would be as follows:
 - Committee Governance – Membership and remit
 - Regulation
 - Training
 - Monitoring and feedback for advisers 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
3. Officers were asked to canvass all Members and Reserve Members of the Committee on the topics for which they would like to be considered as Lead Member with officers suggesting a “best fit” for the Committee to consider.
4. On 25 November 2013 Lead Members were allocated to each of the topics.
5. With the major changes which have taken place in the Committee’s membership officers will canvass all Members and Reserve Members of the Committee as to their preferences and report the results to the next meeting of the Committee.

Equities allocation strategy

6. On 25 November 2013 the Committee agreed to re-structure its existing equities portfolio as follows:

	Existing structure	Revised structure
	% of equities portfolio	% of equities portfolio
UK Passive (State Street)	41	0
Global Active (Fidelity)	18	0
Global Active (Wellington)	29	0
Global Active (Longview)	12	17
Developed World Unconstrained (new manager)	0	17
Emerging Markets Unconstrained (new manager)	0	16
Global Passive (State Street)	0	50
	100	100

7. After an exhaustive selection process, on 19 March 2014 the Committee agreed to:
- the appointment of Oldfield Partners as the Unconstrained Equities Manager for Developed Markets and
 - The appointment of GMO UK Ltd as the Unconstrained Equities Manager for Emerging Markets
8. Following the decision by the Committee the Council has received further advice from Aon Hewitt as regards being an early investor in one of the GMO funds. This advice is attached as Appendix 2. Aon Hewitt have undertaken to work with GMO to mitigate any issues and it is not considered necessary for the Committee to review its decision.
9. Officers have subsequently been in discussion with all the managers affected and with the Council's transition manager, State Street. The draft investment management agreements and other legal documentation are currently being reviewed and the new arrangements should be in place within the next few months.

Training

10. Since the appointment of the Committee and the Reserve Members the Members have been offered:
- A generic course run by Aon Hewitt in three separate afternoon sessions covering Governance and Key Legislation, Funding and Actuarial Matters and Investment has been offered to all Members of the Committee and two Members have been able to attend
 - An evening session covering all the important aspects of the Local Government Pension Scheme and the Harrow Fund has been offered to all eight Members and Reserve Members and five were able to attend.

- All Members and Reserve Members have been provided with a considerable amount of relevant documentation.

LGPS Governance Regulations

11. The draft regulations have now been issued with a consultation deadline of 15 August 2014. The most significant parts of the draft directly relevant to the Council are as follows:

- By 1 April 2015 each administering authority is required to establish a local pension board responsible for assisting it to secure compliance with the regulations, any other legislation relating to the governance and administration of the scheme and requirements imposed by the Pensions Regulator in relation to the scheme. The local pension board is also to be responsible for assisting the administering authority to ensure the effective and efficient governance and administration of the scheme.
- Should an administering authority wish the local pension board to be the same as its pensions committee it would need the approval of the Secretary of State.
- Suggested alternative ways in which an administering authority can establish its local pensions board
- It is for the administering authority to determine the membership of the local pension board but it must have an equal number of employer and member representatives with relevant experience and the capacity to represent, with a total of at least 4 and must together form the majority of the membership. A member of the local authority may not be appointed as an employer or member representative

12. Clearly there is a considerable amount of work necessary to implement the regulations by 1 April 2015. Under the leadership of the Director of Finance and Assurance and Director of Legal and Governance Services an informal group of finance and legal officers has already met and this group will shortly meet again to establish appropriate membership and terms of reference. It will, of course, establish its own work programme and timetable but will at least cover the steps identified by the Fund's Actuary, Hymans Robertson as follows:

- Establish that any proposed arrangements comply with the Pension Regulator's code of practice
- Consider and, if necessary, refresh the scheme of delegations, including the power to implement the regulations
- Review current pension committee activities to establish the statutory and non-statutory nature of the activities and determine which ones can be passed to a newly formed local pension board
- Consider a revised governance structure to meet the aims of the Harrow Fund bearing in mind the knowledge and understanding requirements needed for good decision-making
- Draw up local pension board terms of reference and job descriptions for the chair and its members
- Review the need for any changes to the Borough's constitution

- Establish procedures for the selection / election of local pension board members
- Set up a working group of current pension committee members, officers and advisers to deal with the implementation of the regulations
- Consider appointing an independent governance adviser to the local pension board

13. In view of the limited number of times in the year that the Committee meets it is likely that a report on progress will be presented to it at each of its meetings for the next nine months.

Financial Implications

14. There are no financial implications arising from this report.

Risk Management Implications

15. Risk included on Directorate risk register? No

16. Separate risk register in place? No but risks are extensively discussed in the Pension Fund Statement of Investment Principles and Annual Report

Equalities implications

17. Was an Equality Impact Assessment carried out? Yes

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

Council Priorities

19. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name Simon George	<input checked="" type="checkbox"/>	Director of Finance and Assurance
Date: 17 July 2014		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 17 July 2014		

Ward Councillors notified:

NO

Section 4 - Contact Details and Background Papers

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Pension Fund Committee – Membership and Powers and Duties

Members

Councillor Keith Ferry (Chair) (Labour)
Councillor Adam Swersky (Labour)
Councillor Barry Macleod – Cullinane (Conservative)
Councillor Bharat Thakker (Conservative)

Reserve members

Councillor Antonio Weiss (Labour)
Councillor Nitin Parekh (Labour)
Councillor Norman Stevenson (Conservative)
Councillor Kamaljit Chana (Conservative)

Co-opted members (non-voting)

Stephen Compton – UNISON
Pamela Belgrave – GMB
Howard Bluston

Powers and Duties

1. 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;
2. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
3. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
4. to establish a strategy for the disposition of the pension investment portfolio; and
5. to appoint and determine the investment managers' delegation of powers of management of the fund;
6. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary

Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;

7. to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups;
8. to approve any severance packages for Officers of £100,000 or over irrespective of the grade of Officer. The definition of severance package is in accordance with the DCLG supplementary statutory guidance 'Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011' issued in February 2013;
9. to report back to Council for information purposes on all such approved severance packages.