

PENSION BOARD

MINUTES

2 NOVEMBER 2015

Chair:	* Mr R Harbord	
Board Members:	* Councillor Kiran Ramchandani	Employer Representative - London Borough of Harrow
	* Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	* Sudhi Pathak	Employer Representative - Scheduled and Admitted Bodies
	John Royle	Scheme Members' Representative - Active Members

* Denotes Member present

15. Attendance by Reserve Members

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

16. Declarations of Interest

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

17. Minutes

RESOLVED: That the minutes of the meeting held on 25 June 2015 be taken as read and signed as a correct record.

18. Public Questions, Petitions & Deputations

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

RESOLVED ITEMS

19. Code of Conduct

The Board received a received a report of the Director of Finance which set out additional advice from the Council's legal adviser regarding the requirement for Board Members to sign up to and abide by the Council's Code of Conduct.

An officer advised that Board Members would be subject to the protocol on co-optees and advisors as set out in the Council's Constitution, and would therefore be required to disclose any pecuniary, non-pecuniary and conflicts of interests at Board meetings. He added that this requirement had been communicated to Board members at the time of their appointments and was also laid out in the Board's Terms of Reference.

A member of the Board stated that, in his view, the statutory definition of a conflict of interest did not correspond with that in the Council's Constitution and that disclosable pecuniary and non-pecuniary interests were not the correct test to apply to Board members' interests and the Council's Code of Conduct could not override existing legislation relating to the conduct of Board members.

Following further discussion, Board members indicated that they were agreeable to signing the Council's Code of Conduct.

RESOLVED: That the report be noted.

RECOMMENDED ITEMS

20. Annual Report and Financial Statements for the year ended 31 March 2015

The Board received a report of the Director of Finance which set out the London Borough of Harrow Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015 and the Report of the Auditor (Deloitte LLP) to the Governance, Audit, Risk Management and Standards Committee.

Following a brief overview of the report, officers responded to Board members' questions and comments as follows:

- the Council's actuaries were not anxious about the fact that the fund was in deficit and that there was a 50% chance that the Fund would return to full funding in 20 years, and that achieving a fully funded status may require the continued payment of deficit contributions. For

the Fund to be fully funded in a shorter period could require an employer contribution rate of 34%, which was not currently feasible;

- in terms of investment performance league tables for all LGPS funds, the Fund was in the top quartile; for funding it was in the bottom quintile. An officer undertook to ensure that future reports to the Board would set out clearly areas where the Fund was doing well as well as areas of concern to facilitate the scrutiny process as well as provide a more detailed report on funding and on cash flow projections to a future meeting of the Board;
- some Local Authority actuaries tended to be quite conservative and generally attached high values to liabilities. The Council's actuaries, Hymans Robertson LLP, had produced a report on Local Authorities, which, when using consistent assumptions, placed Harrow about 50th nationally.
- 85% of the Pension Fund's members were council employees;
- the next actuarial valuation would take effect from 2017 and officers would be meeting with the actuaries in 2016 to get the ball rolling;
- the Fund's governance arrangements, when measured in a self-assessment exercise against the principles set out in the statutory guidance were considered by officers to be largely fully compliant in most areas, however, he would provide a more detailed report regarding this to a future meeting of the Board;
- comments made by the external auditors (Deloitte's) regarding the council's internal control environment and risk management processes related to previous years and all recommendations made by the auditors had since been actioned. The comment relating to the risk register related to any possible major systems failure leading to a failure in pensions administration and the actuaries had requested that the register include more detail on this;
- the auditors routinely carried out sample checks on pensions' calculations for individuals and the pensions' payroll staff had been provided with training on calculations under the new arrangements. All council employees had been issued with benefits statements in August 2015;
- all of the Fund's investments were in pooled funds and none were in segregated funds. The pooled funds were held by custodians who were listed on the accounts and the Pension Fund Committee (PFC) received a report annually regarding the internal controls and audit of each of the fund managers. An officer undertook to provide the Board with a report regarding the internal controls and governance procedures of the custodians.

RESOLVED: That

- (1) the report be noted; and
- (2) the Board's comments be forwarded to the Pension Fund Committee.

21. Investment and Management Expenses 2014-15

The Board received a report of the Director of Finance which set out the details of investment and management expenses incurred by the Pension Fund during 2014/15.

An officer provided a brief introduction to the report, and responded to comments and questions as follows:

- the fees for work undertaken by Hymans Robertson in relation to the Pension Fund varied from year to year and their fees were not performance-linked. For example, in 2013/14, a great deal of work on the triennial valuation had been undertaken by Hymans, which were charged either on the basis of time spent or for projects undertaken. Many local authorities had officer support to appraise fund managers, and Harrow used AonHewitt for this, which had produced four quarterly reports on rating, at the cost of £20k per quarter;
- the Pension Fund Committee (PFC) and its predecessor, the Pension Fund Investment Panel had co-opted advisers and professional advisers from AonHewitt who had replaced Hymans Robertson. Last year the PFC had appointed two additional advisers. The advisers would be expected to attend four PFC meetings per year, to keep abreast of financial matters and attend other events such as meetings with fund managers. It was noted that the advisers had incorrectly been listed in the report as Financial advisers, which they were not and were not therefore required to be registered with the Financial Conduct Authority. Further information regarding the appointment of the advisers would be circulated to Board members after the meeting;
- the £807K figure relating to Payroll and Central Recharges, which was an annual calculation, was accurate and included items such as officer salaries, the cost of producing pay slips, overheads and costs related to agency staff;
- any benchmarking data that was available regarding other funds would be provided to the Board after the meeting.

RESOLVED: That

- (1) the report be noted; and
- (2) the Board's comments be forwarded to the Pension Fund Committee.

22. Statement of Investment Principles

The Board received a report of the Director of Finance which set out the Pension Fund's current Statement of Investment Principles. Following a brief overview of the report, an officer responded to questions and comments as follows:

- the Fund's investment managers invested in overseas companies but did not engage in currency dealing as currency hedging was not within their area of expertise. The Fund used a company which took actions at the level of 50% of the Fund's foreign investments. This manager was paid £21k for its services;
- re-structuring of the Fund was considered approximately every three years. The last re-structure had been agreed in 2013 and implemented in 2014;
- the robustness of the controls and limits placed on the investment managers had been considered by the PFC and their internal controls were reviewed annually. This information would be circulated to the Board after the meeting.

RESOLVED: That

- (1) the report be noted; and
- (2) the Board's comments be forwarded to the Pension Fund Committee.

23. Pension Fund Committee - 1 July 2015

The Board received a report summarising the matters considered at the Pension Fund Committee meeting on 1 July 2015.

The Board noted that there had been a significant improvement in the Fund's performance relative to other funds between 2007-09 and 2010-15.

RESOLVED: That the report be noted.

24. Pension Fund Committee - 8 September 2015

The Board received a report of the Director of Finance summarising the matters considered at the Pension Fund Committee (PFC) meeting on 8 September 2015.

Members expressed concern at the Board's lack of access to exempt reports submitted to the PFC. They were of the view that this would hinder their ability to scrutinise governance arrangements relating to the Fund and queried whether most of the reports submitted to PFC which had been listed as exempt should in fact have been designated as such.

RESOLVED: That

- (1) the report be noted; and
- (2) the Board's comments be forwarded to the Pension Fund Committee.

25. Benchmarking Exercise and Key Performance Indicators

The Board received a report of the Director of Finance advising of a request from the Local Government Pension Scheme (LGPS) Advisory Board that each administering authority complete a pro-forma providing information on key performance indicators (KPIs).

An officer advised that completion of the pro-forma had taken the form of a self-assessment exercise. He responded to questions as follows:

- the completed pro-formas would be made available to the Scheme Advisory Board, however, the Board did not intend to create a league table from the data received. The Advisory Board hoped that completing the pro-forma would enable authorities to improve their performance;
- 31 out of the 33 London Boroughs had signed up to a collective investment vehicle, which would mean lower management fees for contracts;
- information regarding whether the statutory governance standards were being reviewed would be confirmed to Board members after the meeting;
- Harrow may be signing up to the Stewardship Code and Board members were welcome to provide comments and feedback regarding this;
- Croydon Council was leading on negotiations on Framework Agreements for Actuaries and Investment Advisers and Harrow had used these facilities.

RESOLVED: That

- (1) the report be noted; and
- (2) the Board's comments be forwarded to the Pension Fund Committee.

26. Any Other Business

In accordance with the Local Government (Access to Information) Act 1985, the following items were included late on the agenda as they arose following a consideration of the minutes of the last meeting and discussion of the agenda items:

- the Board should appeal against the ruling by the Council's Legal Advisor that Board members should not be given access to exempt reports submitted to the Pension Fund Committee (PFC), for the following reasons: the Board's ability to fulfil its scrutiny function would be seriously compromised unless it was allowed access to exempt reports submitted to PFC, particularly since Board members were expected to sign up to and abide by the Council's Code of Conduct. Pension Board members at other local authorities had full access to exempt papers submitted to their Pension Fund Committees. The Chair stated that the Board should enter into further dialogue with the Council's legal adviser with a view to finding a solution to this issue;
- adviser appointments to the Board were made for a period of three years, however, the length of the appointments should be staggered to ensure continuity of expert advice;
- officers were requested to produce a Work Programme for the Board as this would help to ensure that the Board effectively discharged its responsibilities;
- Board Members were of the view that a further meeting should be scheduled for February/March 2016.

RESOLVED: That the comments be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.36 pm).

(Signed) RICHARD HARBORD
Chair