

CORE AREA AND SECTION	LEGAL REQUIREMENTS	THE PENSION REGULATOR'S GUIDANCE	HARROW POSITION
<b>1. Governing your scheme (33-99)</b>			
<b>1.1 Knowledge and understanding required by Pension Board members (34-60)</b>	<p>A member of the Pension Board must be conversant with:</p> <ul style="list-style-type: none"> <li>- the rules of the scheme</li> <li>- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme</li> </ul> <p>A member of the Pension Board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> <li>- the law relating to pensions</li> <li>- any other matters which are prescribed in regulations</li> </ul> <p>The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the the functions of a member of the Pension Board</p>	<p>Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.</p> <p>However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.</p>	<p>The Director of Finance is responsible for ensuring that a framework for enabling Pension Board members to acquire and retain the knowledge they need to carry out their duties is in place.</p> <p>At its first meeting on 25 June 2015 the Board was provided with a copy of, and introduction to, The Shadow Advisory Board's publication "<i>Local Government Pension Scheme (LGPS): Guidance on the creation and operation of Local Pension Boards in England and Wales</i>" and were introduced to the Pensions Regulator's Code of Practice in relation to knowledge and understanding.</p> <p>They were also provided with:</p> <ul style="list-style-type: none"> <li>- Terms of Reference</li> <li>- Code of Conduct</li> <li>- Governance Compliance Statement</li> <li>- Statement of Investment Principles</li> <li>- Funding Strategy Statemen</li> </ul> <p>Arising from the first meeting of the Board a full-day training session was provided by Aon Hewitt covering:</p> <ul style="list-style-type: none"> <li>- Governance and Key Legislation</li> <li>- Actuarial and Governance Matters</li> <li>- Investment</li> </ul> <p>All members of the Board attended this training.</p> <p>The agendas of subsequent meetings have provided some level of technical training through eg consideration of the Fund's Annual Accounts, investment and management expenses, the actuarial valuation and socially responsible investment.</p> <p>Members of the Board have also been invited to the training sessions offered prior to each meeting of the Pension Fund Committee.</p> <p>However, few further specific training opportunities have been provided and members have not been asked to identify their personal training needs.</p> <p>This will be rectified at the meeting of the Board on 2 November 2016.</p>
<b>1.2 Conflicts of interest and representation (61-91)</b>	<p>A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Board is established.</p> <p>In relation to the Pension Board, scheme regulations must include provision requiring the scheme manager to be satisfied:</p> <ul style="list-style-type: none"> <li>- that a person to be appointed as a member of the Pension Board does not have a conflict of interest</li> <li>- from time to time, that none of the Pension Board has a <del>conflict of interest</del></li> </ul> <p>Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting <u>the requirements referred to above</u></p> <p>Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers</p>	<p>A conflict of interest may arise when a pension board member in fulfilling his/her statutory role of assisting the scheme manager in securing compliance with scheme regulations and other requirements has a separate personal interest (financial or otherwise) the nature of which gives rise to a possible conflict with this statutory role</p> <p>The "<i>seven principles of public life</i>" should be applied to all pension board members in the exercise of their functions.</p>	<p>Each member of the Pension Board, prior to applying for / being appointed to the Board, was advised that he/she must be able to act impartially in the interests of both employees and employers in the Fund and must act in accordance with the "<i>seven principles of public life</i>" - selflessness, integrity, objectivity, accountability, openness, honesty and leadership.</p> <p>The Terms of Reference of the Board include an expectation that, where applicable, members are expected to act in accordance with the Code of Conduct for Councillors and the Pensions Regulator's Code of Practice.</p> <p>The Board were provided with a copy of the Code of Conduct for Councillors which discusses pecuniary and other interests and the "seven principles of public life" (extended to ten for Harrow) and agreed to abide by it.</p> <p>At the beginning of each meeting Board members are asked to disclose any "pecuniary or non pecuniary interests, arising from business to be transacted at this meeting."</p> <p>The Board includes two employer representatives and two member representatives.</p>

<p><b>1.3 Publishing information about schemes (92-99)</b></p>	<p>The scheme manager must publish information about the pension board for the scheme and keep that information up to date.</p> <p>The information must include:</p> <ul style="list-style-type: none"> <li>- who the members of the pension board are</li> <li>- representation on the board of members of the scheme</li> <li>- the matters falling within the pension board's responsibility.</li> </ul>	<p>Public service pension schemes should have a properly constituted, trained and competent pension board. Scheme managers must publish the information required about the pension board and keep that information up to date.</p> <p>Schemes should publish useful information about the pension board such as:</p> <ul style="list-style-type: none"> <li>- the employment and job title (where relevant) and any other relevant position held by each board member</li> <li>- the pension board appointment process</li> <li>- who each pension board member represents</li> <li>- the full terms of reference for the pension board, including details of how it will operate, and</li> <li>- any specific roles and responsibilities of individual pension board members.</li> </ul> <p>Schemes should consider publishing information about pension board business eg board papers, agendas and minutes and encourage scheme member engagement and promote a culture of transparency.</p> <p>Schemes should have policies and processes to monitor all published data to ensure it is accurate and complete.</p>	<p>The Council's website provides easy access to the Pension Board Terms of Reference and agendas, reports and minutes of all meetings</p> <p>The Terms of Reference include:</p> <ul style="list-style-type: none"> <li>- Role of the Board</li> <li>- Membership, including details of representation, voting rights, election of Chair and Deputy Chair, co-opting of additional members</li> <li>- Appointment process</li> <li>- Standards of conduct and conflicts of interest</li> <li>- Knowledge and skills</li> <li>- Accountability</li> <li>- Decision making</li> <li>- Quorum</li> <li>- Frequency of meetings</li> <li>- Publication of Board information</li> <li>- Advice to the Board</li> <li>- Expense reimbursement</li> <li>- Definition of terms</li> </ul> <p>The agenda for each meeting includes the name of each member of the Board and the body he/she represents. The meetings of the Board are advertised on the Council's website, meetings can be observed by anyone who wishes to attend and, apart from one item, all reports so far considered by the Board are available for public scrutiny.</p> <p>Reference is also made to the Pension Board in the Fund's Annual Report and Financial Statements.</p>
<p><b>2. Managing risks (100-120)</b></p>			
<p><b>2.1 Internal controls (101-120)</b></p>	<p>The scheme manager must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with <u>the requirements of the law</u></p> <p>For these purposes "internal controls" means:</p> <ul style="list-style-type: none"> <li>- arrangements and procedures to be followed in the administration and management of the scheme</li> <li>- systems and arrangements for monitoring that administration and management</li> <li>- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme</li> </ul>	<p>Scheme managers must establish a system of internal controls which should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme.</p> <p>The controls should address significant risks which are likely to have a material impact on the scheme.</p> <p>Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.</p>	<p>The Fund has adopted an extensive Risk Register comprising approximately 50 significant risks split into the following categories:</p> <ul style="list-style-type: none"> <li>- Governance</li> <li>- Funding - Assets and liabilities</li> <li>- Funding - Investment Strategy</li> <li>- Investment</li> <li>- Operational</li> <li>- Accounting</li> </ul> <p>The Register is reviewed regularly and responsibility is assigned to a "Control owner" and a more senior "Risk owner."</p> <p>A clear separation of duties is established between the Pension Fund Committee, Pension Board, officers, fund managers and custodians.</p> <p>Officers, both those involved in investments and those responsible for the payment of benefits and the maintenance of records, are subject to strict separation of duties and the monitoring of performance.</p> <p>Both internal and external audit regularly review the operation of the Fund and their recommendations are almost always implemented.</p>
<p><b>3. Administration (121-211)</b></p>			
<p><b>3.1 Scheme record-keeping (122-146)</b></p>	<p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> <li>- member information</li> <li>- transactions</li> <li>- <u>pension board meetings and decisions</u></li> </ul> <p>The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014</p>	<p>Schemes should be able to demonstrate to the regulator, where required, that they keep accurate up-to-date and enduring records to be able to govern and administer their pension scheme efficiently</p> <p>Internal controls should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.</p>	<p>The Council uses the well-established Altair computer software to maintain its records up to date on an ongoing basis.</p> <p>For active members records are kept up-to-date via a monthly interface report run from the payroll system ensuring that starters, leavers and changes of address are all properly recorded. Pay details are uploaded at year end.</p> <p>For pensioners a reminder is sent out each year to update, where necessary, changes of address and bank details. Deferred members are reminded each year to advise the Council of changes of address and invited to update their nomination for death grant payments.</p> <p>Employers are provided with spreadsheet templates to advise the Council of new starters, changes of address and monthly contributions.</p> <p>Full details of all Pension Board meetings including agendas, reports and minutes are easily accessible via the Council's website</p> <p>Operational issues are key components in the Fund's risk register which is reviewed at least once a year.</p>

<p><b>3.2 Maintaining contributions (147-186)</b></p>	<p>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p> <p>Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period'), or earlier if required by scheme regulations.</p> <p>Where employee contributions are not paid within the prescribed period, if the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report</p>	<p>Scheme managers should ensure that there are effective procedures and processes in place to identify payment failures to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period. A 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions</p> <p>Schemes should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.</p> <p>Adequate procedures and processes are likely to involve</p> <ul style="list-style-type: none"> <li>- developing a record to monitor the payment of contributions</li> <li>- monitoring the payment of contributions</li> <li>- managing overdue contributions, and</li> <li>- reporting materially significant payment failures</li> </ul>	<p>All contributions are set in accordance with the Actuary's Rates and Adjustments Certificate and all employers are aware of the statutory requirements for the payment of these contributions.</p> <p>At the beginning of each financial year a template is sent to all employers detailing their monthly contributions and this is updated in accordance with payroll records as necessary.</p> <p>Checks are made on payments made each month and reconciled with the Pension Fund bank account.</p> <p>If payments are not received by the due date the employer is reminded of his obligations but this is rarely necessary at Harrow.</p> <p>The payment of contributions is specifically identified within the risk register and the Pension Fund Committee are advised that sufficient resources are in place to carry out the necessary transaction processing, procedures exist to identify late payments and that both internal and external audit reviews take place.</p>
<p><b>3.3 Providing information to members (187-</b></p>	<p>The law requires schemes to disclose information about benefits and scheme administration to scheme members and others</p> <p>The Code summarises the legal requirements in respect of;</p> <ul style="list-style-type: none"> <li>- Benefit statements</li> <li>- Other information about scheme administration</li> <li>- Who is entitled to information</li> <li>- When basic information is to be provided</li> <li>- What information must be disclosed on request</li> <li>- How benefit statements and other information must be provided</li> </ul>	<p>Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible.</p> <p>Schemes should attempt to make contact with their scheme members and, where contact is not possible, should carry out a tracing exercise.</p> <p>Where a person has made a request for information, if it is not readily available, receipt should be acknowledged with an indication as to when the information will become available. Scheme managers must provide information in accordance with the time periods specified in the Public Service Pensions Act 2013 and Disclosure Regulations 2013.</p> <p>To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.</p>	<p>The Fund's main vehicle for communicating with its members is the Annual Newsletter. It is sent to all Pensioners and is made available on-line to all active members. It covers a wide range of matters relevant to the Scheme overall and the Harrow Fund in particular. The current version, published in July 2016 covers</p> <ul style="list-style-type: none"> <li>- Annual Benefit Statement 2016</li> <li>- Contribution Pay Bands</li> <li>- National Fraud Initiative</li> <li>- Proposed Limit on Public Sector Exit Payments</li> <li>- New LGPS NI database</li> <li>- Tell us Once Service</li> <li>- Death Grant</li> <li>- Savings in Retirement</li> <li>- Pensions and Tax Changes</li> <li>- Previous Pension Rights</li> <li>- Annual Pension Fund Report</li> <li>- Performance Monitoring</li> </ul> <p>Annual Benefits Statements are sent to all active and deferred members.</p> <p>Additional communications are also sent out if there is a significant change to the Scheme or new information regarding pensions becomes available eg the cessation of contracting out. For tracing purposes we work with DWP and their letter forwarding service if a pension is due for payment and no up-to-date address is held. If a request for information is received and we are not able to reply within 10 days we send an acknowledgement. An automatic acknowledgement is sent to each request received by email. The very extensive "Communications Policy Statement," available on the Council's website goes into more detail on the arrangements made by the Council to communicate with members and other stakeholders. One to one meetings can be arranged.</p>

<b>4. Resolving issues (212-275)</b>			
<b>4.1 Internal dispute resolution (213-240)</b>	<p>Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. 'Pension disputes' cover matters relating to the scheme between the managers and one or more people with an interest in the scheme. These exclude 'exempted disputes'.</p> <p>There are certain 'exempted disputes' to which the internal dispute resolution procedure will not apply. These include disputes where proceedings have commenced in any court or tribunal, or where the Pensions Ombudsman has commenced an investigation.</p> <p>A person has an interest in the scheme if they:</p> <ul style="list-style-type: none"> <li>- are a member or surviving non-dependant beneficiary of a deceased member of the scheme</li> <li>- are a widow, surviving civil partner or surviving civil partner or surviving dependant of a deceased member of the scheme</li> <li>- are a prospective member of the scheme</li> <li>- have ceased to be a member, beneficiary or prospective member or</li> <li>- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person</li> </ul> <p>Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after consideration of the matters.</p> <p>Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.</p> <p>Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made.</p> <p>Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service and the Pensions Ombudsman to certain people at certain stages.</p>	<p>Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.</p> <p>Internal dispute resolution arrangements provide formal procedures and processes for pension scheme disputes to be investigated and decided upon quickly and effectively. They play a key role in the effective governance and administration of the scheme.</p> <p>Schemes can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that it is more appropriate for their scheme.</p> <p>Generally, the law does not prescribe the detail of the dispute resolution procedure and schemes should make their own decisions on this and ensure it is fit for purpose.</p>	<p>The Fund has a two stage process in line with the Local Government Pension Scheme Regulations. The process is publicised in the Fund's Internal Dispute Resolution Procedure which is regularly updated, most recently in April 2015. Due to recent staffing and structural changes it is currently being revised.</p> <p>The Procedure can be found on the Fund's website and is mentioned in the majority of letters sent to Scheme members.</p> <p>The Procedure emphasises the Fund's wish to seek the resolution of complaints without using the Procedure and comments that almost all problems are dealt with by a telephone call or a visit to the pensions office. The Procedure clearly describes the process to seek the resolution of a dispute including</p> <ul style="list-style-type: none"> <li>- who the Procedure applies to</li> <li>- what alternative resolution processes are available</li> <li>- how to apply for consideration under the Procedure</li> <li>- the First Stage process including the designation of the adjudicator</li> <li>- the Second Stage process including the designation of the adjudicator</li> <li>- the time limits under the Procedure</li> </ul> <p>The Procedure also includes contact details of, and information about, The Pensions Advisory Service and the Pensions Ombudsman to whom a dispute can be escalated if the claimant remains dissatisfied.</p>
<b>4.2 Reporting breaches of the law (241-275)</b>	<p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> <li>- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with</li> <li>- the failure to comply is likely to be of material significance</li> </ul> <p>People who are subject to the reporting requirement for public service pension schemes are:</p> <ul style="list-style-type: none"> <li>- scheme managers</li> <li>- members of pension boards</li> <li>- any person who is otherwise involved in the administration of a public service pension scheme</li> <li>- employers</li> <li>- professional advisers including auditors, actuaries and fund managers</li> <li>- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme</li> </ul>	<p>Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and the Pensions Regulator Guidance. Schemes should provide training for scheme managers and pension board members.</p> <p>Scheme managers and Board members should have a sufficient level of knowledge and understanding of legal requirements and reporting processes to allow them to fulfil their potential reporting duties.</p>	<p>At the initial training session provided for the Board on 27 August 2015 members were explicitly advised of the requirement on them, and others, to report breaches of the law to the Regulator where there is reasonable cause to believe that</p> <ul style="list-style-type: none"> <li>- a legal duty relating to the administration of the scheme has not been, or is not being, complied with</li> <li>- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions</li> </ul> <p>However, the Fund does not yet have a "Reporting Breaches" procedure and approval to such will be sought shortly.</p>

The report must be made in writing as soon as is reasonably practicable.