

PENSION BOARD MINUTES

12 SEPTEMBER 2017

Chair: * Mr R Harbord

Board Members: † Councillor Kiran Ramchandani Employer Representative - London Borough of Harrow

* Gerald Balabanoff Scheme Members' Representative - Pensioners

* Sudhi Pathak Employer Representative - Scheduled and Admitted Bodies

* John Royle Scheme Members' Representative - Active Members

* Denotes Member present

† Denotes apologies received

109. Declarations of Interest

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

110. Minutes

RESOLVED: That the minutes of the meeting held on 13 July 2017 be taken as read and signed as a correct record.

111. Public Questions

RESOLVED: To note that no public questions had been received.

112. Petitions

RESOLVED: To note that no petitions had been received.

113. Deputations

RESOLVED: To note that no deputations had been received.

RESOLVED ITEMS

114. Information Report - Annual Review of Internal Controls at Insight Investments

The Board received an information report which provided a summary of the latest internal controls reports from Insight Investments reviewed by KPMG.

RESOLVED: That the report be noted.

115. Information Report - Knowledge and Understanding of Local Government Pension Scheme

The Board received a report which advised of the requirements in respect of knowledge and understanding of the Local Government Pension Scheme as set out by CIPFA and the Pensions Regulator. The Board were requested consider how they wished to meet these requirements.

The Board expressed the view that they could form their own training scheme and did not need to sign up to one particular programme as members would have differing needs. It would be beneficial if officers could circulate details of courses/ training and websites that may be of interest. It was agreed that if a Board member attended training it would be useful to receive a short note on the content.

A Board member sought clarification as to whether the Annual Pension Statements were audited. The officer confirmed that all statements had been circulated by 31 August 2017 and that queries received largely related to understanding the statement content. The format of the statements was to be reviewed but in terms of the figures contained within the statement these were not reviewed /audited unless a challenge was made. Data cleansing was undertaken as part of the actuarial variation exercise.

RESOLVED: That the report be noted.

116. Information Report - London Borough of Harrow Pension Board: Draft Annual Report to Council

The Board received an information report which advised of the need to prepare a report on their work for consideration by Council.

The officer advised that an initial draft report had been prepared for the Board's consideration and input. A member of the Board commented that

there continued to be an issue with access to Part II papers submitted to the Pension Fund Committee. In addition, the Chair of the Board was not permitted to stay for the Part II discussion which, given the role of the Board, was unsatisfactory.

In terms of benchmarking, the Board indicated that they had previously discussed this issue and expressed the view that there was little value to be added by participating.

RESOLVED: That the Chair of the Board prepare the report and circulate it to the Board members for comment.

117. London Collective Investment Vehicle Update

The Board welcomed Jill Davys, Client Relations Director, London Collective Investment Vehicle, to the meeting and received a presentation which incorporated an update on the Collective Investment Vehicle (CIV), Stewardship and Responsible Investment (RI).

During the presentation, the Board asked questions and made comments which were duly responded to as follows:

- The London CIV (LCIV) looked to identify efficiencies as authorities were spending too much on investment management fees. A Board member commented that the longer term objective was to save money on fees and sought clarification as to how much of the £34 billion from across London would be in the CIV. Ms Davys advised that the figures relating to passive investment outside the LCIV required updating but that the figure was approximately £20 billion.
- It was commented that some authorities may find that fees were lower without a CIV and that this had been raised by the Independent advisers to the Pension Fund Committee. It would not be known for many years as to whether the CIV had met its objective. Ms Davys advised that there had been a review of internal controls which she would circulate to the Board.
- The relationship between the Board and CIV required clarification and the Board needed to be clear as to what information was required in order to fulfil its remit.
- A Board member expressed the view that the CIV, which had been inserted into the process, regarded the Pension Board as an inconvenience and was advised that the Pensions' Manager should be providing the Board with the necessary information.
- In time, the Board would need to see the Funds that Harrow invested in.
- Concern was expressed in relation to the governance of the CIV as it was 'removed' from public scrutiny. In response, Ms Davys advised

that the CIV was an FCA regulated entity and made direct reports to Pension Fund Committee Chairs across London. There was a quarterly report on the budget and an Investment Advisory Committee established which would be attended by Harrow's Pensions Manager.

- The timetable for the CIV should be adhered to.
- Ms Davys advised that one issue for Pension Fund Committees was that some Funds had been with the same Managers for a considerable time. She added that the LCIV Chief Investment Officer was a former Fund Manager and that the LCIV had experienced staff on standard salaries. A Board member sought clarification in terms of salary levels and was advised that, to the best of Ms Davys knowledge, these were below £140,000 pa.
- An in depth training session on the CIV was requested.
- The Board requested sight of the LCIV accounts and Annual Report.

Ms Davys advised that there were divergent views across London in terms of stewardship and responsible investment and she tabled the stewardship code. A Board member stated that he was concerned that there was some pressure to use the Fund for infrastructure needs.

The Board thanked Ms Davys for her attendance and responses, stating that the future of the Pension Board in relation to the CIV was unclear.

RESOLVED: That

- (1) the presentation be noted;
- (2) the LCIV accounts and Annual Report be circulated to the Board;
- (3) an in depth half day training session on the LCIV be arranged before the year end with the Chief Investment Officer and Risk Compliance Officer in attendance.

118. Environmental, Social and Governance Issues - Approach of the London Collective Investment Vehicle

See Minute 117.

119. Information Report - Pension Fund Committee Meeting on 28 June 2017

The Board received the minutes of the Pension Fund Committee held on 28 June 2017.

The Board acknowledged the value of the Pension Fund Committee Independent advisers, particularly in relation to their comments on the Local Government Pension Scheme Pooling arrangements. It was also suggested

that the Board monitor the training being undertaken by the Committee and that joint training would be useful.

RESOLVED: That the minutes of the Pension Fund Committee be noted.

(Note: The meeting, having commenced at 2.03 pm, closed at 4.00 pm).

(Signed) RICHARD HARBORD
Chair