

LONDON BOROUGH OF HARROW PENSION BOARD

2018/19 ANNUAL REVIEW

Background

The Local Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013.

The Council was required to set up a Pension Board with responsibility for assisting it as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters as the LGPS regulations may specify.

The Act provides for the membership to be of equal numbers of “employer representatives” and “member representatives”. In addition we have an Independent Member who is currently the Chair of Pension Board.

Harrow Pension Board’s Terms of Reference requires the Board to present a report on its work to the Full Council once a year.

This report covers the work of Pension Board to 31st March 2019 and the fourth year of operation of the Harrow Pension Board.

Meetings

Pension Board meets quarterly and held its first meeting on 25 June 2015. The current Chair, Richard Harbord and Vice Chair, Gerald Balabanoff were appointed at that meeting and has been re-appointed to those posts annually since that date.

There is an expectation from the Pension Regulator that Pension Boards will meet four times a year.

Role and Terms of Reference

We understand our role and are generally happy with the generic nature of the Terms of Reference. However, our view is that we should meet more than twice a year and that the periods of office of the various members be staggered to avoid the potential loss of too much experience at one time.

We have also requested that the membership of Pension Board is extended to ensure that each meeting is quorate. The current terms of reference make no provision for reserve members.

We have also requested that all reports from Pension Fund Committee including exempt reports be made available for review by Pension Board on a timelier basis.

Knowledge and Understanding of the Local Government Pension Scheme

To assist in our understanding and to assist in our scrutiny role, we have been provided with a large amount of information about the Scheme, usually with an officer's commentary, including:

- Annual Report and Accounts
- Governance Compliance Statement
- Communication Policy Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Actuarial Valuation Reports from the Fund Actuary
- Pension Fund Risk Register
- Policy for Reporting Breaches of Law
- Investment Manager Internal Control Reports

Relationship with Pension Fund Committee

At each meeting, the Board have been advised of the agendas of, and decisions taken by, the Pension Fund Committee at its recent meetings. Our views have, in turn, been reported to the Committee. The Board has also been invited to attend the Committee meetings and the training sessions held prior to each meeting.

A recurring theme throughout the year has been legal advice that members of the Board are not entitled to remain at the Committee's meetings when exempt papers are discussed even though Board members are expected to abide by the Council's Code of Conduct.

From 2018-19 Pension Board have been referring Pension Board minutes and recommendations to Pension Fund Committee.

Annual Report and Financial Statements

We have been invited to consider the Annual Report and Financial Statements for the last three years together with their various attachments and the reports of the Auditor. The areas in which we expressed particular interest have been:

- Actuarial assumptions and actuarial valuation results
- Employer contributions
- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process
- The effectiveness of investment managers internal controls
- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)
- Pension Fund Bank Account segregation and control of funds

We have received reports and presentations from the Actuary and from the London Collective Investment Pooling arrangements and a presentation from the Pension Regulator on the role of the Pension Regulator and pension scheme governance best practice.

Investment and Management Expenses

We reviewed in detail the management expenses of the Fund and requested benchmarking details.

Benchmarking and key performance indicators

We have shown particular interest in benchmarking and key performance indicators.

Traditionally, reliable benchmarking and comparison information covering all administering authorities has not been available. However, recent Government requirements in the context of the pooling arrangements have necessitated the provision of relatively consistent information from all administering authorities

We have also asked for refinement to pension administration reporting to better understand performance against key performance indicators. KPI's have been considered as a standing item since June 2017. Pension Board receives confirmation of breaches of law and has been assured that annual benefit statements are issued on time.

Environmental, Social and Governance Issues (ESG)

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they are required to provide an explanation when they do not. We have also requested information on the LCIV approach to ESG

Training

Pension Board has requested further trainings to cover the following:

- Governance and Key Legislation
- Actuarial and Funding Matters
- Investment and LGPS Pooling
- A presentation from the Pension Regulator on the role of the Pension Regulator and pension scheme governance best practice.

Conclusion

The regulations governing Pension Boards were contained in the 2015 Regulations (SI2015/57)

The main provisions are:

“(1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it -
(a) to secure compliance with -

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

Essentially the role of the Pension Board is one of Scrutiny and our role is wholly advisory.

Pension Board is struggling to fulfil its role because of the problems to date in recruiting and retaining Board Members .Pension Board has recommended that its Terms of Reference are amended to increase Board representation to ensure that each meeting is quorate.

The fourth year has been one of further training, understanding the role and scrutinising the arrangements for the actuarial valuation and areas of key interest such as management fees internal control reporting, compliance with external audit recommendations and maintaining good pension administration performance.

The Board looks forward to consolidating performance in the current year and developing its role as an effective body for scrutiny and improvement.