

LONDON BOROUGH OF HARROW PENSION BOARD

2019/20 ANNUAL REVIEW (Draft)

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 Act).

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

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

This report covers the work of the Pension Board to 31st March 2020 - the fifth year of operation of the Harrow Pension Board.

Meetings

Pension Board normally 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 have been re-appointed to those posts annually since that date.

The Board’s Terms of Reference indicate that it will meet at least twice and not more than four times a year. The Pension Regulator’s expectation is that LGPS Pension Boards will meet four times a year.

During 2019-20, the Board met three times, as its fourth meeting would have taken place shortly after the start of the first “national lockdown” arising from the global covid-19 pandemic.

Role and Terms of Reference

We understand our role and are generally happy with the generic nature of the Terms of Reference, which we reviewed in October 2019. However, our view is that we should meet more than twice a year and that the periods of office of the various

members should be staggered to avoid the potential loss of too much experience at one time.

We recorded our concern that there have been two vacant positions on the Board, for a representative of the “other employers (i.e. not Harrow Council) and a representative for the active (contributing) scheme members, and requested officers to prioritise recruitment to these vacancies.

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 timely 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 onwards, the Pension Board has been referring Pension Board minutes and recommendations to Pension Fund Committee.

Annual Report and Financial Statements

We were again invited to consider the Annual Report and Financial Statements for the Pension Fund, 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)

We have received reports on the Scheme Advisory Board's Good Governance Review, the London Collective Investment Pooling arrangements and outcome of the 2019 triennial valuation.

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 members are invited to the regular training sessions which take place before pension Fund Committee meetings and Board members have also availed themselves of other relevant training including that offered by CIPFA.

Conclusion

The regulations governing Pension Boards are contained in the Local Government Pension scheme (Amendment) (Governance) 2015 Regulations 2015 (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. The Board has recommended that its Terms of Reference are amended to increase Board representation to ensure that each meeting is quorate.

Despite the disruption towards the end of the year, the fifth year has been one of further training, understanding the role and scrutinising the outcome of 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 continuing to develop its role as an effective body for scrutiny and improvement.