



Haverling

LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.30 pm

**Tuesday
23 June 2015**

**Committee Room 3A -
Town Hall**

Members 7: Quorum 3

COUNCILLORS:

**Conservative
(3)**

**Residents'
(2)**

**East Haverling
Residents'
(1)**

**UKIP
(1)**

John Crowder
(Chairman)
Melvin Wallace
Roger Westwood

Ray Morgon
Stephanie Nunn

Clarence Barrett

David Johnson (Vice-
Chair)

Trade Union Observers

(No Voting Rights) (2)

John Giles, (Unison)
Andy Hampshire, GMB

**Admitted/Scheduled Bodies
Representative**

(Voting Rights) (1)

Heather Foster-Byron

**For information about the meeting please contact:
James Goodwin 01708 432432
james.goodwin@OneSource.co.uk**

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – receive

3 DISCLOSURE OF PECUNIARY INTERESTS

Members are invited to disclose any pecuniary interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any pecuniary interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 4)

To approve as correct the minutes of the meeting held on 17 March 2015 and authorise the Chairman to sign them.

5 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED MARCH 2015 (Pages 5 - 18)

Report attached.

6 PENSION FUND RISK REGISTER (Pages 19 - 34)

Report attached.

7 BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2014/15 (Pages 35 - 56)

Report attached.

8 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

9 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 1 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

10 OPTIONS FOR CHANGE TO EQUITY AND BOND MANDATES

11 HYMANS REVIEW OF FUND PERFORMANCE FOR THE QUARTER ENDING 31 MARCH 2015.

12 PRESENTATION BY BAILLIE GIFFORD

13 PRESENTATION BY GMO

14 THE ADMISSION OF CATERLINK LTD TO THE LONDON BOROUGH OF HAVERING'S PENSION FUND

**Andrew Beesley
Committee Administration
Manager**

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
17 March 2015 (7.30 - 10.00 pm)**

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman), Melvin Wallace and Roger Westwood

Residents' Group John Mylod and Stephanie Nunn

East Havering Residents' Group Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Trade Union Observers: John Giles

Apologies were received for the absence of Heather Foster-Byron.

The Chairman reminded Members of the action to be taken in an emergency.

24 MINUTES OF THE MEETING

The Minutes of the meeting held on 16 December 2014 were agreed as a correct record and signed by the Chairman.

25 DEVELOPMENT OF THE PENSION COLLECTIVE INVESTMENT VEHICLE

On the 26 March 2014 the Committee had considered a request for the Council to join the Collective Investment Vehicle (CIV). At that time the Committee had concerns around the financial and governance arrangements and recommended the Council not to join until further information was available.

Since that date 30 out of 33 London Boroughs had become active participants in the CIV. The total joining cost at this stage was now £75,000. Upon joining there would be a future commitment of contributing towards the on-going operating costs.

Officers advised the Committee that the initial financial implications presented to London Councils had suggested that savings would be achieved in management fees. Indications were that eleven separate

managers might be brought into the CIV for launch, nine of which had provided estimates of fee savings, with an average reduction of 20% in fees per manager.

Whilst there was still some uncertainty over the lack of evidence and no guarantee of any savings, and after a lengthy debate, the Committee concluded that with 30 boroughs already participating and the opportunity to participate in the on-going development of the CIV it was agreed that Havering now participate.

The Committee, therefore, agreed to **RECOMMEND** to Council that the London Borough of Havering seeks membership of the Collective Investment Vehicle and suggested that the Chairman of the Pensions Committee should be appointed as the Council's representative to serve on the Pensions CIV Sectoral Joint Committee.

26 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 31 DECEMBER 2014**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 31 December 2014 was 3.7%. This represented an out performance of 0.3% against the combined tactical benchmark and an under performance of -7.1% against the strategic benchmark.

The overall net return for the year to 31 December 2014 was 9.7%. This represented an out performance of 0.4% against the tactical combined benchmark and an out performance of -15.1% against the annual strategic benchmark.

Officers updated the Committee that they had been approached by Ruffer for permission to invest 5% of the Ruffer's portfolio in a product designed to protect against risk of liquidity in the credit market. Having consulted Hymans, Officers approached the Chairman seeking his approval as the decision had to be made before the next committee meeting. The Chairman had given his permission to proceed with the investment.

1. Hymans Robertson (HR)

Market Summary

- Hymans Robertson updated the Committee with a roundup of the market background as at the end of December.

Fund Performance

- Assets were valued at £547.38m as at 31 December 2014, an increase of £18.37m over the quarter. The total return on the

Fund's assets over the quarter was 3.8%, ahead of the benchmark return of 3.2%

- Performance from the Fund's active equity manager, Baillie Gifford, had contributed positively to performance as the mandate outperformed its benchmark by 3.4%.

Investment Manager changes

- There had been no changes to Fund Manager's during the quarter. However, following the quarter end, the Fund had invested £100.75m into the GMO Global Real Return Fund. This had been phased over two dealing dates with the first tranche of £50m being invested on 13 January 2015 and the second tranche of £50.75m occurring on 20 January 2015.

2. UBS Triton Property Fund (UBS)

Howard Meaney (HM), Head of Global Real Estate – UK (GRE – UK) and Portfolio Manager, UBS Triton Property Fund attended the meeting and gave a presentation on the performance of the UBS Triton Property Fund. The portfolio continues to perform well driven by active asset management. In the last year the Fund had outperformed its benchmark by 1.8%. HM advised the Committee of a number of projects including a new venture, student accommodation in Newcastle. He was very positive about future prospects.

3. Royal London Asset Management (RLAM)

Paul Rayner, Head of Government Bonds and Robert Nicolson, Client Relationship Director attended the meeting to give a presentation on the performance of the Fund in Quarter 4. Despite a relatively poor performance in quarter 4 the portfolio had outperformed the benchmark over the last three and five year periods.

In the medium term RLAM remain cautious on outlook given the current economic climate, but were optimistic that their approach will continue to outperform benchmark.

4. State Street Global Advisors (SSGA)

Chris Vogtherr, Senior Client Relationship Manager attended the meeting to give a presentation on the performance of the portfolio managed by SSGA. The portfolio had performed as required since inception.

The Committee **noted** the reports and presentations.

27 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

28 **FUNDAMENTAL EQUITY INDEX INVESTMENT**

After a brief discussion the Committee decided to defer consideration of this item until the next meeting. Training would be provided prior to the next meeting so that members feel better informed about the decision they would be required to make.

Chairman

PENSIONS COMMITTEE
23 June 2015

Subject Heading:

**PENSION FUND PERFORMANCE
MONITORING FOR THE QUARTER
ENDED MARCH 2015**
Andrew Blake Herbert

CMT Lead:

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
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Policy context:

Debbie.ford@onesource.co.uk
Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met.

Financial summary:

This report comments upon the performance of the Fund for the period ended 31 March 2015

The subject matter of this report deals with the following Council Objectives

- | | |
|--|-------------------------------------|
| Havering will be clean and its environment will be cared for | <input type="checkbox"/> |
| People will be safe, in their homes and in the community | <input type="checkbox"/> |
| Residents will be proud to live in Havering | <input checked="" type="checkbox"/> |

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarterly period to 31 March 2015. The performance information is taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the **quarter** to 31 March 2015 was **4.5%**. This represents an out performance of **1.1%** against the tactical benchmark and an under performance of **-0.4%** against the strategic benchmark.

The overall net return of the Fund's investments for the **year** to 31 March 2015 was **13.2%**. This represents an out performance of **1.7%** against the tactical combined benchmark and an under performance of **-12.9%** against the annual strategic benchmark. The annual strategic benchmark is a measure of the fund's performance against a target based upon gilts + 1.8% (the rate which is used in the valuation of the funds liabilities). The implications of this shortfall are discussed further in paragraphs 1.2 and 1.3 below.

It is now possible to measure the individual managers' annual return for the new tactical combined benchmark since they became active on the 14th February 2005. These results are shown later in the report.

RECOMMENDATIONS

That the Committee:

- 1) Considers Hymans performance monitoring report and presentation (Appendix A).
- 2) Receive a presentation from Ballie Gifford for their Diversified Growth Fund and Global Alpha Fund and from the Fund's Multi-Asset Manager (GMO Global Real Return).
- 3) Notes the summary of the performance of the Pension Fund within this report.
- 4) Considers the quarterly reports provided by each investment manager.
- 5) Considers and notes any Corporate Governance issues arising from voting as detailed by each manager.
- 6) Considers any points arising from officer monitoring meetings (section 4 refers).
- 7) Notes the analysis of the cash balances (paragraphs 2.2 and 2.3 refers).

REPORT DETAIL

1. Background

- 1.1 The Fund undertook a full review of the Statement of Investment Principles (SIP) during 2012/13 and following the appointments of the Multi Asset Managers this almost completes the fund's restructuring. The Fund is still considering options for an investment in Local Infrastructure.
- 1.2 A strategic benchmark has been adopted for the overall Fund of Gilts + 1.8% (net of fees) per annum. This is the expected return in excess of the fund's

liabilities over the longer term. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit. This current shortfall is driven by the historically low level of interest rates which drive up the value of gilts (and consequently the level of the fund liabilities). Whether interest rates will remain at those levels for the longer term and the implications for the Fund’s Investment strategy is a matter which will need to be considered at the time of the next actuarial review.

1.3 Our Investment Advisors have stated that there are things that could have been done to protect the fund against falling interest rates (e.g. hedging) but they do not believe that this action would have been appropriate. The Fund is already partially protected through its investments with Royal London and given the long term nature of the fund they believe that the fund objective of pursuing a stable investment return remains appropriate. They also note that although the value placed on the liabilities has risen as a result of falling yields, inflations and expectations of future inflation have fallen meaning that the actual benefit cashflows expected to be paid from the fund will be lower.

1.4 Individual manager performance and asset allocation will determine the out performance against the strategic benchmark. Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

1.5 Changes to the Asset Allocation targets were agreed by members at the Pensions Committee meeting on the 26 March 2013 and 24 July 2013. The long term strategy of the fund adopted at those meetings was to reduce exposure to equities and invest in multi asset strategies.

1.6 The following table reflects the asset allocation split following the commencement of trading of the new multi asset managers:

Manager and % of target fund allocation	Mandate	Tactical Benchmark	Out performance Target
State Street Global Assets (SSgA) 8%	UK/Global Equities - passive	UK- FTSE All Share Index Global (Ex UK) – FTSE All World ex UK Index	To track the benchmark
Baillie Gifford 17%	Global Equities - Active	MSCI AC World Index	1.5 – 2.5% over rolling 5 year period
Royal London Asset Management 20%	Investment Grade Bonds	<ul style="list-style-type: none"> ➤ 50% iBoxx Sterling Non Gilt Over 10 Year Index ➤ 16.7% FTSE Actuaries UK Gilt Over 15 Years Index ➤ 33.3% FTSE Actuaries Index- 	0.75%

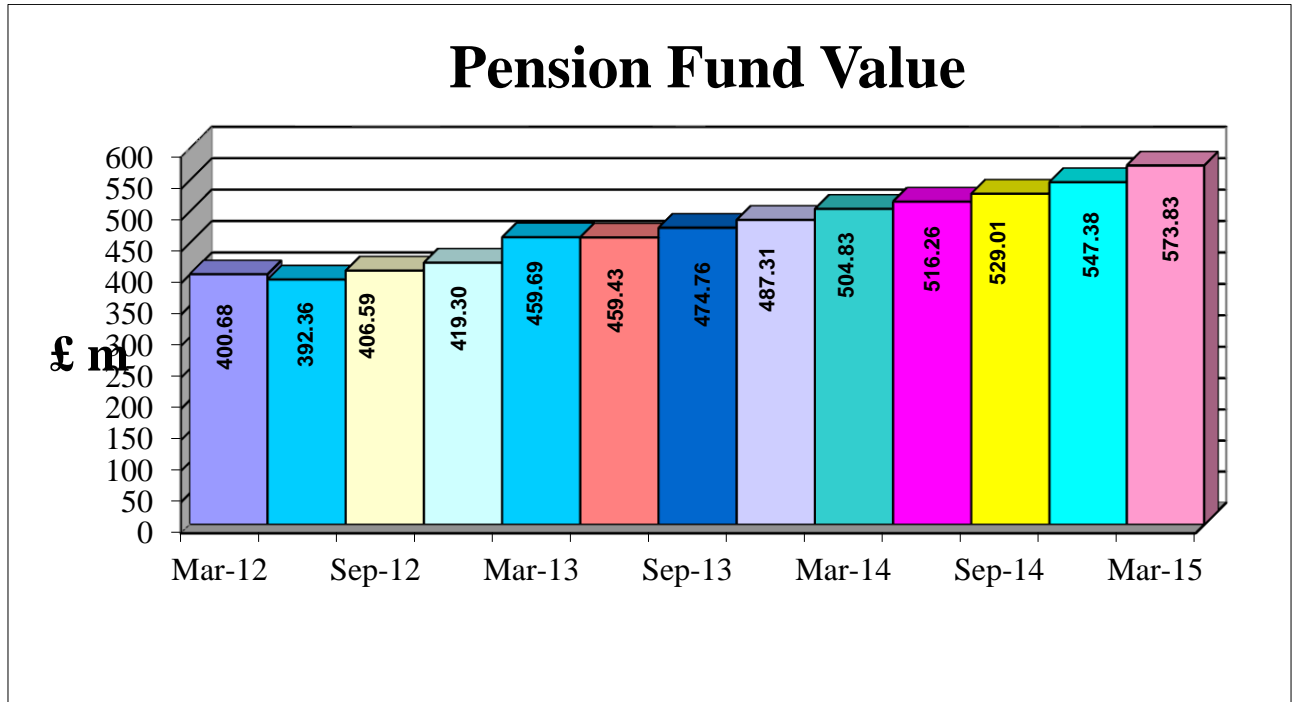
Pensions Committee, 23 June 2015

Manager and % of target fund allocation	Mandate	Tactical Benchmark	Out performance Target
		Linked Over 5 Year Index	
UBS 5%	Property	IPD (previously called HSBC/AREF) All Balanced Funds Median Index	To outperform the benchmark
Ruffer 15%	Multi Asset	Not measured against any market index – for illustrative purposes LIBOR (3 months) + 4%.	To outperform the benchmark
GMO Global Real Return (UCITS) 20%	Multi Asset	OECDG7 CPI by +3 to 5% over the medium to long term-	To outperform the benchmark
Baillie Gifford – Diversified Growth Fund 15%	Multi Asset	UK Base Rate +3.5%	To outperform the benchmark

- 1.7 At a Special meeting of the Pension Committee on the 23 October 2014 members agreed to appoint GMO and invest in their Global Real Return (UCITS) Fund (GRRUF). The GMO (GRRUF) will replace the investment with Barings and will be managed on a pooled basis. During January 2015, the cash was transferred from the SSGA Sterling Liquidity cash account to GMO who have now commenced trading.
- 1.8 UBS, SSgA, GMO and Baillie Gifford manage the assets on a pooled basis. Royal London and Ruffer manage the assets on a segregated basis. Performance is monitored by reference to the benchmark and out performance target. Each manager's individual performance is shown in this report with a summary of any key information relevant to their performance.
- 1.9 Since 2006, to ensure consistency with reports received from our Performance Measurers, Investments Advisors and Fund Managers, the 'relative returns' (under/over performance) calculations has been changed from the previously used arithmetical method to the industry standard geometric method (please note that this will sometimes produce figures that arithmetically do not add up).
- 1.10 Existing Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure are the pooled Managers (SSgA, UBS, Baillie Gifford and GMO) and Ruffer who will attend two meetings per year, one with Officers and one with the Pensions Committee. However if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements will be made for additional presentations.
- 1.11 Hyman's performance monitoring report is attached at **Appendix A**.

2. Fund Size

- 2.1 Based on information supplied by our performance measurers the total combined fund value at the close of business on 31 Mar 15 was **£573.83m**. This valuation differs from the basis of valuation used by our Fund Managers and our Investment Advisor in that it excludes income. This compares with a fund value of £547.38m at the 31 Dec 14; an **increase of £26.45m**. The movement in the fund value is attributable to an increase in assets of £24.60m and an increase in cash of £1.85m. The internally managed cash level stands at **£7.22m** of which an analysis follows in this report.



Source: WM Company (Performance Measurers)

2.2 An analysis of the internally managed cash balance of **£7.22m** follows:

<u>CASH ANALYSIS</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	£000's	£000's	£000's
Balance B/F	-1194	-3474	-5661
Benefits Paid	31272	32552	33340
Management costs	1779	2312	1330
Net Transfer Values	-1284	-1131	-78
Employee/Employer Contributions	-30222	-45659	-34470
Cash from/to Managers/Other Adj.	-3780	9825	-1618
Internal Interest	-45	-86	-59
Movement in Year	-2280	-2187	1555
Balance C/F	-3474	-5661	-7216

2.3 As agreed by members on the 27 June 2012 a cash management policy has now been adopted. The policy sets out that should the cash level fall below the de-minimus amount of £2m this should be topped up to £4m. This policy includes drawing down income from the bond and property manager.

3. Performance Figures against Benchmarks

3.1.1 The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) follows:

	Quarter to 31.03.15	12 Months to 31.03.15	3 Years to 31.03.15	5 years to 31.03.15
Fund	4.5%	13.2%	11.5%	8.9%
Benchmark return	3.3%	11.3%	9.5%	8.4%
*Difference in return	1.1%	1.7%	1.8%	0.5%

Source: WM Company

*Totals may not sum due to geometric basis of calculation and rounding.

3.1.2 The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts over 15 years + 1.8% Net of fees) is shown below:

	Quarter to 31.03.15	12 Months to 31.03.15	3 Years to 31.03.15	5 years to 31.03.15
Fund	4.5%	13.2%	11.5%	8.9%
Benchmark return	4.8%	29.9%	13.0%	14.8%
*Difference in return	-0.4%	-12.9%	-1.4%	-5.1%

Source: WM Company

*Totals may not sum due to geometric basis of calculation and rounding.

3.1.3 The following tables compare each manager's performance against their **specific (tactical) benchmark** and their **performance target** (benchmark plus the agreed mandated out performance target) for the current quarter and the last 12 months.

QUARTERLY PERFORMANCE (AS AT 31 MARCH 2015)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	4.00	4.12	-0.12	4.31	-0.31
UBS	3.34	2.80	0.54	n/a	n/a
Ruffer	4.14	0.10	4.04	n/a	n/a
SSgA	7.63	7.64	-0.01	n/a	n/a
SSgA Sterling Liquidity Fund	0.12	0.09	0.03	n/a	n/a
Baillie Gifford (Global Alpha Fund)	9.20	7.60	1.60	8.23	0.98
Baillie Gifford (DGF)	3.20	1.00	2.20	n/a	n/a
GMO	1.33	0.09	1.24	n/a	n/a

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- GMO not invested for entire period

ANNUAL PERFORMANCE (LAST 12 MONTHS)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	20.39	21.45	-1.06	22.20	-1.81
UBS	19.06	16.64	2.42	n/a	n/a
Ruffer	11.48	0.60	10.88	n/a	n/a
SSgA	19.01	19.08	-0.07	n/a	n/a
SSgA Sterling Liquidity Fund	0.50	0.35	0.15	n/a	n/a
Baillie Gifford (Global Alpha Fund)	19.00	19.00	0.00	21.50	-2.50
Baillie Gifford (DAAF)	7.90	4.00	3.90	n/a	n/a

Source: WM Company, Fund Managers and Hymans

➤ Totals may not sum due to geometric basis of calculation and rounding.

4. Fund Manager Reports

4.1. UK Investment Grade Bonds (Bonds Gilts, UK Corporates, UK Index Linked, UK Other) – (Royal London Asset Management)

- a) In accordance with agreed procedures officers met with representatives from Royal London on the 11 May 2015 at which a review of their performance as at 31 March 15 was discussed.
- b) The value of the fund as at 31st March15 increased by 4.05% on the previous quarter.
- c) The fund achieved a net return of 4% during the quarter and underperformed the benchmark for the quarter by 0.1%. Royal London underperformed the benchmark over the one year period by -1.06% but ahead of benchmark three and five year periods, with relative returns of 0.92% and 1.05% respectively. Since inception they outperformed the benchmark by 0.59% but below the target by -0.16%.
- d) Royal London reported on market events during the quarter:
 - Government Bonds (Gilts) returned 2.2% over the quarter, mainly due to The Bank of England Monetary Policy Committee members being unanimous in maintaining interest rates at current historical low. The majority felt the situation in Europe and low inflation justified no change. Longer dated maturities outperformed. At the end of December 2014, Gross Domestic Product (GDP) was revised from 0.5% to 0.6% resulting in annual GDP growth for 2014 reaching 2.8%, the highest pace of annual growth since 2006.

- Index linked Market backdrop – Index Linked Gilts returned 2.86% over the quarter, real yields fell over the quarter, with long dated yields reaching a record low near -1%. Real yields were very volatile, trading at a range of 0.5% to -1% at longer maturities. UK Government Index linked Bonds outperformed their US and Canadian counterparts but underperformed European Bonds that were supported by the ECB quantitative easing programme announced in January. UK CPI inflation fell in Feb 2014 and oil prices falling further also contributed to the downturn in returns this quarter.
 - Credit market (corporate bonds) – Sterling Investment grade bonds returned 3.2% this quarter. Sterling Investment grade bonds outperformed Gilts by 1.59%, reversing the underperformance seen in the second half of 2014. Weakness in commodity prices again impacted general industrials, retail consumer bonds improved over the quarter. Bond issuance was at its lowest level since 2000, with issuance down by 43% on the same quarter last year, the main driver for the decline was the fall in non-financial issuances as borrowers looked to the euro market where funding costs were considerably lower.
- e) Asset Allocation within the portfolio was 58.3% in corporate bonds, 29.5% sterling index linked bonds, 11.5% sterling conventional Bonds, 0.2% in overseas Bonds and 0.6% in cash.
- f) The portfolio changes during the quarter, has been to increase allocations in credit conventional and sterling index linked bonds, funded by the sale of the majority of the Overseas Bonds which have declined significantly over the quarter.
- g) Royal London thought that credit bonds would remain attractive over the medium term so maintained underweight exposure to government bonds in favour of corporate bonds during the quarter. The investment grade sterling credit market did outperform both conventional and index linked government bonds so the asset allocation supported fund performance.
- h) They maintained fund duration below that of the benchmark index, yields of short dated UK government bonds rose over the quarter, however the yields of longer term bonds fell. The duration positioning over the quarter was the principle driver of underperformance.
- i) Off-benchmark positions in overseas bonds were a positive factor for relative performance over the period.
- j) Royal London maintained the view that interest rates are likely to rise over the short to medium term so have adopted a short duration position, we asked how they have positioned the portfolio if interest rates stay lower for longer, they said that although there is not a great change in strategy, they will increase allocation to credit which is out performing conventional gilts on a duration-adjusted basis.

- k) We asked Royal London to explain their approach to taking off bench-mark exposure in the portfolio, they said the off benchmark position in overseas index linked government bonds has been a positive factor over the last quarter, this was tactical positioning to mitigate underperformance in short dated credit, they said that off benchmark medium dated credit underperformed longer maturities.
- l) Royal London were asked about whether they see value in credit markets going forward and will it be necessary to increase risk to maintain current performance, they said to aid risk management they employ the thinkFolio portfolio management system, which allows them to monitor in real time the drivers of performance: asset allocation, interest rate, sector allocation and stock selection. The risk is measured by their Portfolio risk team who have weekly meetings with fund managers, where risk positions are review and relevant actions taken if required.
- m) Reduced liquidity in the market has reduced Royal London's ability to trade in bonds; but their strategy is to have less emphasis on trading with more emphasis on seeking out long term value and lower turnover in portfolios, which is consistent with their long held views regarding managing credit.
- n) The Royal London Investment outlook is that the current global expansion will be sustained into 2015, with loose monetary policy, lower bond yields and lower oil prices acting as key supports. They expect UK CPI inflation to remain below the 2% target for some time, as the effects of the decline in commodity prices continue to feed through. They expect global bond yields to move higher from current levels.
- o) No governance or whistle blowing issues were reported.

4.2. Property (UBS)

- a) To bring UBS in line with the other Pooled managers within the Fund their monitoring meetings have been rescheduled so that officers will only meet with representatives from UBS once in the year with the other meeting to be held with members. Officers last met with representatives from UBS on 05 November 2014 at which a review of their performance as at 30 September 2014 was discussed. The Pensions Committee last met with UBS at the 17 March 2015 meeting at which their performance up to the end of December 14 was discussed. Officers are next due to meet UBS on the 20 August 2015.
- b) The value of the fund as at 31 March 15 increased by 3.3% since the previous quarter.
- c) UBS delivered a return of 3.3% over the quarter, outperforming the benchmark by 0.5%. The Fund is ahead of the benchmark over the year by 2.4%.

4.3. Multi Asset Manager (Ruffer)

- d) In accordance with agreed procedures officers will only meet with representatives from Ruffer once in the year with the other meeting to be held with members. The Pensions Committee last met with Ruffer at the 24 June 2014 meeting at which their performance as at the end of March 14 was discussed. Officers met with representatives from Ruffer on 05 February 2015 at which a review of their performance as at 31 December 2014 was discussed. The Pensions Committee are next due to meet with Ruffer at the September Committee meeting.
- e) Since officers last met with Ruffer in February 2014, the value of the fund has increased by 4.14%.
- f) Ruffer delivered a return of 4.14% (net of fees) over the quarter, outperforming the benchmark by 4.0%. The Fund is ahead of the benchmark over the year by 10.8%.

4.4. Passive Equities Manager (SSgA)

- a) In accordance with agreed procedures officers will only meet with representatives from SSgA once in the year with the other meeting to be held with members. SSgA met with the members of the Pension Committee on the 17 March 2015 at which they covered the period ending up to 31 December 2014. Officers met with representatives from SSgA on the 11 May 2015 at which a review of their performance as at 31 March 15 was discussed.
- b) Pending consideration of options for an investment in Local Infrastructure the £11.5m is still invested in the SSGA Sterling Liquidity Fund.
- c) The SSgA Sterling liquidity fund has outperformed the benchmark by 0.03% over the quarter. Since inception they have outperformed the benchmark by 0.13%
- d) The SSgA passive Equity mandate has underperformed in line with the benchmark. Since inception they have underperformed against the benchmark by -0.02%.
- e) SSgA reported no staff changes
- f) At a previous meeting SSgA mentioned that they are looking at ways of enhancing returns in Index Equity Portfolio management. The opportunities that are available are options for the portfolio to track different indices that may deliver better returns.
- g) We spent some time discussing the various factors within the indices as there are a number of different models that include factors such as value, quality, size and momentum. SSgA said the challenges in tracking non-

market capitalisation based indices are that these indices are relatively new and are more volatile than the normal market capitalisation. The RAFI Index is closest to a value style which is the model index that as an alternative is being considered.

- h) Hymans was requested to consider the options of switching indices and a separate paper was presented to the Pensions Committee on the 17 March 2015. The decision to switch indices was deferred to the 16 June 2015 meeting so that training can be delivered to assist members in coming to a decision.
- i) No governance issues or whistle blowing was reported.

4.5. Global Equities Manager (Baillie Gifford)

- a) Representatives from Baillie Gifford on the Global Alpha Fund are due to make a presentation at this Committee therefore a brief overview of their performance as at 31 March 2015 follows.
- b) The value of the fund increased by 9.16% over the last quarter.
- c) Baillie Gifford Global Alpha Mandate has outperformed the benchmark over the last quarter by 1.6% (net of fees) and matched the benchmark over the last year.

4.6. Multi Asset Manager (Baillie Gifford Diversified Growth Fund)

- a) Representatives from Baillie Gifford on the Diversified Growth Fund are due to make a presentation at this Committee therefore a brief overview of their performance as at 31 March 2015 follows.
- b) The value of the fund has seen an increase in value of 3.2% over the last quarter.
- c) Baillie Gifford Diversified Growth Mandate has outperformed the benchmark by 2.2% over the last quarter and has outperformed the benchmark over the year by 3.9%.

4.7. Multi Asset Manager (GMO – Global Real Return (UCITS) Fund)

- a) GMO was appointed in October 2014 and £100.75m was invested into the fund during January 2015. This investment was made over two instalments, £50m invested on the 13 January 2015 and £50.75m on the 20 January 2015.
- b) Representatives from GMO on the Diversified Growth Fund are due to make a presentation at this Committee therefore a brief overview of their performance as at 31 March 2015 follows.
- c) The value of the Fund as at the end of March 2015 has increased by 1.13%.

- d) The GMO mandate has outperformed the benchmark by 1.24% over the last quarter.

5. Corporate Governance Issues

The Committee, previously, agreed that it would:

1. Receive quarterly information from each relevant Investment Manager, detailing the voting history of the Investment Managers on contentious issues. This information is included in the Managers' Quarterly Reports, which will be distributed to members electronically.
2. Receive quarterly information from the Investment Managers, detailing new Investments made.
 - Points 1 and 2 are contained in the Managers' reports.
3. Voting – Where the fund does not hold a pooled equity holding, Members should select a sample of the votes cast from the voting list supplied by the managers (currently only Ruffer) which is included within the quarterly report and question the Fund Managers regarding how Corporate Governance issues were considered in arriving at these decisions.

This report is being presented in order that:

- The general position of the Fund is considered plus other matters including any general issues as advised by Hymans.
- Hymans will discuss the managers' performance after which the particular manager will be invited to join the meeting and make their presentation. The manager attending the meeting will be from:

Baillie Gifford (DGF/Global Alpha Fund) and GMO

- Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

IMPLICATIONS AND RISKS

Financial implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund

Legal implications and risks:

None arising directly

Human Resources implications and risks:

There are no immediate HR implications. However longer term, shortfalls may need to be addressed depending upon performance of the fund.

Equalities implications and risks:

None arising that directly impacts on residents or staff.

BACKGROUND PAPERS

Royal London Quarterly report to 31 Mar 2015
UBS Quarterly report to 31 Mar 2015
Ruffer Quarterly report 31 Mar 2015
State Street Global Assets report to 31 Mar 2015
Baillie Gifford Quarterly Reports 31 Mar 2015
GMO Quarterly Report 31 Mar 2015
The WM Company Performance Review Report to 31 Mar 2015

PENSIONS COMMITTEE
23 June 2015

Subject Heading:	PENSION FUND RISK REGISTER
CMT Lead:	Andrew Blake Herbert
Report Author and contact details:	<i>Debbie Ford</i> <i>Pension Fund Accountant</i> <i>01708432569</i> <i><u>Debbie.ford@havering.gov.uk</u></i> <i>Pension Fund Governance</i>
Policy context:	
Financial summary:	<i>No direct financial implications</i>

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	□
People will be safe, in their homes and in the community	□
Residents will be proud to live in Havering	X

SUMMARY

This report introduces the Pension Fund Risk Register, which details the potential risks that the Fund is exposed to, that the Pensions Committee should be aware of, and the controls in place to manage those risks.

RECOMMENDATIONS

The Pensions Committee is recommended to note the report

REPORT DETAIL

1. Background

- 1.1 Risk management is a key responsibility of those charged with Pension Fund Governance and the need for effective risk management is reflected throughout guidance and regulation in the Local Government Pension Scheme (LGPS), in the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 paragraph 12(2c)* and in the CIPFA publication *Delivering Good Governance in Local Government Pension Funds (2009)*.
- 1.2 The *LGPS (Management and Investment of Funds) regulations 2009* also states that administering authorities must prepare and publish a statement which states the extent to which an administering authority complies or does not comply with guidance issued by the Secretary of State. Where it does not comply it must state reasons for non-compliance. (This is known as the Myner's principles).
- 1.3 Myner's principle number three states that the Annual Report of the pension fund should include an overall risk assessment in relation to each of the fund's activities and factors expected to have an impact on the financial and reputational health of the fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the committee, together with necessary actions to mitigate risk and assessment of any residual risk.
- 1.4 The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework recognising the importance that those charged with governance have an understanding of the risks that could impact on the Pension Fund and what steps can be taken to mitigate such risks.

2. Pension fund Risk Register

- 2.1 In line with the Local Government Pensions Scheme Regulations (LGPS) and good practice the London Borough of Havering as an administering authority has developed a Pension Fund Risk Register, which is attached as **Appendix A** to this report.
- 2.2 The risk register has been compiled with reference to the CIPFA *Managing Risk in the LGPS (2012)*, input from the internal Audit, Insurance and Corporate Risk Manager, Risk Consultant from Zurich Municipal, Pension Fund Accountant, Corporate and Strategic Finance Manager and the Pensions Administration Project Manager.

2.3 The risk register identifies the key risks that the Pension Fund may face and the measures that can and have been put in place to mitigate those risks.

2.4 Seven key risks have been identified and recorded in the risk register and summarised below:

1. Inaccurate three yearly actuarial valuations - insufficient funding to meet liabilities
2. Incorrect/Inappropriate Investment Strategy - failure to meet strategic objectives by not reducing pension deficit
3. Failure of investments to perform in-line with growth expectations – potential loss of money
4. Failure to comply with legislative requirements – potential litigations
5. Inability to manage the Pension Fund and associated services – negative impacts upon service provision
6. Failure to effectively enrol new employers/members – cash flow impacts and possible litigations
7. Pension Fund payment Fraud – potential financial loss

2.5 It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to fulfilling the governance of the fund. All risks will be regularly reviewed to ensure that they remain appropriate and that the controls are in place to manage risks where feasible.

2.6 An annual review of the risk register will be included within the Business Plan for the Pension Fund and this report will therefore continue to be a regular feature so that the Committee understands the risks involved in managing the Pension Fund and is able to therefore to make informed decisions

2.7 Risk can be classified as having two measurements that need to be assessed to determine the scale of the risk i.e.

- **Likelihood** – the possibility that a risk will occur
- **Impact** – the consequences if the risk were to occur

2.8 These measurements of risk are then scored as follows:

- **Inherent Risk Score:** The inherent risk score is the assessment of a risk in terms of impact and likelihood, without consideration of the mitigations in place.
- **Residual Risk Score:** This is the assessment of the risk, at the current point in time, having considered the mitigations in place.

2.9 The inherent and residual risk score is plotted into a matrix which shows that there are four areas of risk that have a high risk of occurrence and high impact.

2.10. There are a number of actions that have been identified to take forward that will improve the level of mitigations in place with the aim of reducing the likelihood, impact and the score risk.

2.11. The benefits of successful risk management are in improved financial performance, better delivery of services, improved Fund governance and compliance

IMPLICATIONS AND RISKS

Financial Implications and risks:

There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Pension Fund and the management of those risks is essential to the overall strategic management of the Pension Fund and the governance role of this Committee. Being able to assess the likely financial and reputational impact and whether a risk can be categorised as high, medium or low will impact on the decision making process of this Committee.

There are clearly some risks which would be difficult to manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on other aspects of the decision making process to lower risks elsewhere. Not all risks are quantifiable from a financial perspective, but could impact on the reputation of the Fund of the Council and these also need to be taken into account.

Legal implications and risks:

Human Resources implications and risks:

None arising directly

Equalities implications and risks:

There are no direct equality implications arising directly from this report. However, the report introduces the risk register to the Pensions Committee in order to improve the governance of pensions. Risks with equality implications, for example, increasing in employer contributions, have been identified and measures have been introduced to mitigate these risks.

BACKGROUND PAPERS

CIPFA Guidance *Managing Risk in the Local Government Pension Scheme (2012)*

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APPENDIX A

London Borough of Havering

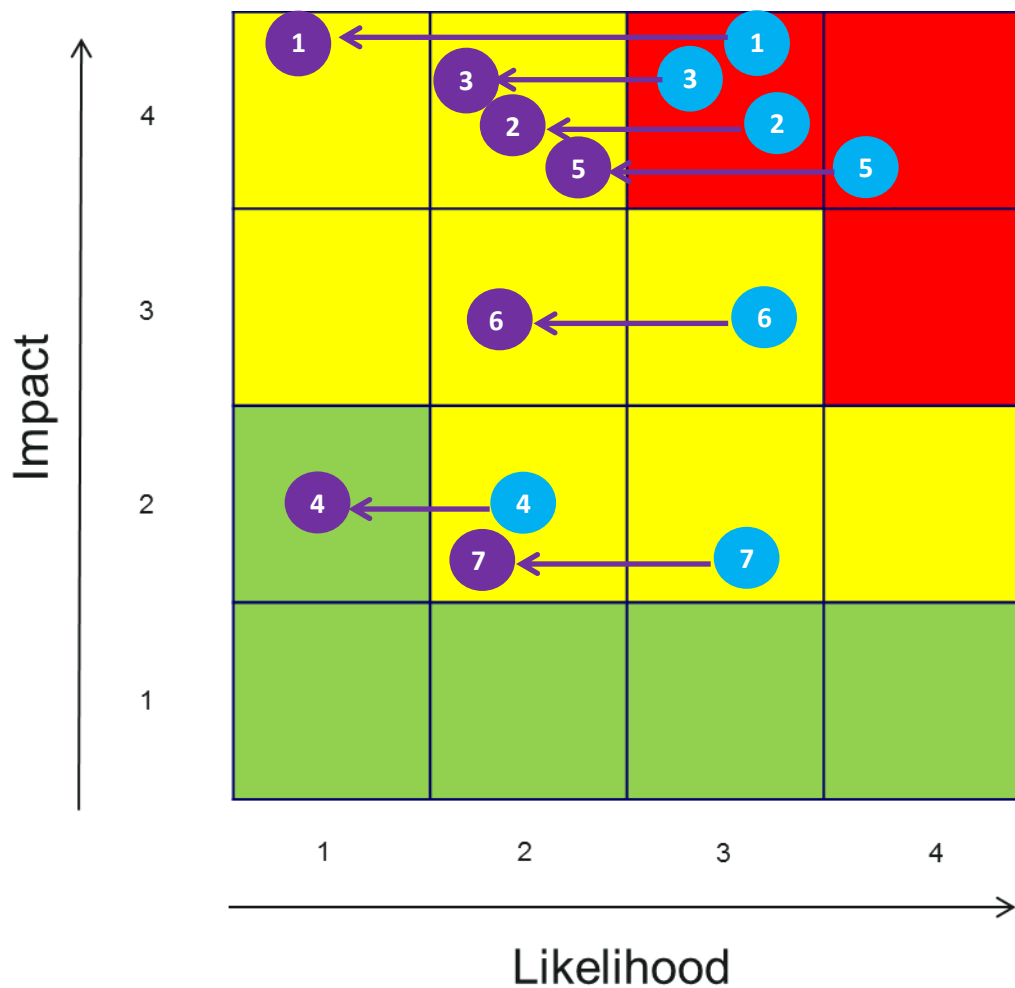
Pension Risk Register

Page 25

JUNE 2015

Inherent and Residual Risk Score Matrix

Page 26



Ref	Risk Title
1	Inaccurate three yearly actuarial valuation
2	Incorrect / Inappropriate Investment Strategy
3	Failure of investments to perform in-line with growth expectations
4	Failure to comply with legislative requirements
5	Inability to manage/ govern the Pension Fund and associated services
6	Failure to effectively "sign up" new employers / members
7	Pension Fund Payment Fraud



Inherent Risk Score



Residual Risk Score

Definitions:

Inherent Risk Score: The inherent risk score is the assessment of a risk in terms of impact and likelihood, without consideration of the mitigations in place.

Residual Risk Score: This is the assessment of the risk, at the current point in time, having considered the mitigations in place.

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
1	Inaccurate three yearly actuarial valuation	<p>Causes:</p> <ul style="list-style-type: none"> Inappropriate assumptions used by actuary in calculations for valuation Poor quality data provided from LB of Havering Personal data not maintained to a high standard (gaps/incorrect) Actuary's own assumptions are not robust or reflective <p>Effects:</p> <ul style="list-style-type: none"> Deficit position worsens Employers pay/ continue to pay incorrect contribution percentages Increase in employer contributions Potential for Council Tax increases More investment risk may be taken to bridge a gap that doesn't actually exist Potential for a more risk averse Investment Strategy when more risk is required. 	<p>Impact 4 Likelihood 3</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> Robust, open tender process in place for appointment of actuary Valuation completed by a qualified professional actuary Some assumptions for valuation dictated by statute Actuarial assumptions are challenged by officers Valuation assumptions subject to External Audit review Local Government benchmarking/comparisons of assumptions Annual review of actuary performance undertaken by Pensions Committee <p>Actions to take forward: None identified at this point.</p>	<p>Impact 4 Likelihood 1</p>	Director of Finance (oneSource)
		<p>Causes:</p> <ul style="list-style-type: none"> Lack or poor professional investment advice given 		<p>Mitigations in place:</p> <ul style="list-style-type: none"> Robust, open tender process in place for appointment of Investment 		

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
Page 28		<ul style="list-style-type: none"> ▪ Investment advice is not taken ▪ Lack of understanding and awareness (Pension Committee) ▪ Lack of clear risk appetite ▪ Based upon inaccurate actuarial valuation <p>Effects:</p> <ul style="list-style-type: none"> ▪ Pension deficit not reduced ▪ Potential for financial loss ▪ Growth opportunities are not maximised ▪ Could generate inefficiencies and unintended risks if not fully understood. ▪ More investment risk may be taken to bridge a gap that doesn't actually exist ▪ Potential for a more risk averse Investment Strategy when more risk is required. ▪ Potential for Council Tax increases 	3	<p>Advisor</p> <ul style="list-style-type: none"> ▪ Investment Advisor performance is annually reviewed by the Pensions Committee ▪ Close working relationship is encouraged between actuaries and investment advisor in the development of the investment strategy ▪ Investment strategy continually assessed as part of the quarterly monitoring process by the Pensions Committee ▪ Liabilities analysed during inter-valuation period <p>Actions to take forward:</p> <ul style="list-style-type: none"> ▪ Pensions Committee Training / Awareness - working towards full compliance with CIPFA Knowledge and Skills framework ▪ Consider using a further independent advisor for challenge to investment advice 	2	

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
3	Failure of investments to perform in-line with growth expectations	<p>Causes:</p> <ul style="list-style-type: none"> Poor Fund Manager selection Underperformance by fund manager Poor investment advice provided to LB of Havering or not taken Negative financial market impacts External factors / increased market volatility (i.e. 2008) Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth <p>Effects:</p> <ul style="list-style-type: none"> Deficit reduction targets are not met Potential for losses to be incurred Increased employer contributions 	<p>Impact 4 Likelihood 3</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> Robust, Fund Manager selection process Diverse portfolio to reduce negative effects from market volatility Quarterly monitoring of fund performance and asset class split is presented by the Fund's Investment Advisor at Pension Committee. Fund performance and asset class split is reviewed quarterly by investment advisor/Pensions Committee and officers. Fund Managers attend Pension Committee and officer meetings to present quarterly performance reports <p>Actions to take forward:</p> <ul style="list-style-type: none"> Pensions Committee Training/Awareness – working towards full compliance with CIPFA Knowledge and Skills framework 	<p>Impact 4 Likelihood 2</p>	Director of Finance (oneSource)

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
4	Failure to comply with legislative requirements	<p>Causes:</p> <ul style="list-style-type: none"> Lack of appropriate skills/knowledge to fulfil requirements Unaware of legislative changes Development of key person dependency Poor/inaccurate interpretation of the regulations Failure/inability to administer the pension scheme appropriately. <p>Effects:</p> <ul style="list-style-type: none"> Reputational damage Potential for financial penalties Potential for costly legal challenges Increase in employer contributions, delayed due to non-compliance. 	<p>Impact 2</p> <p>Likelihood 2</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> Financial requirements are subject to external and internal audit Experienced personnel in place Legislative changes are reported to the Pensions Committee where required Active participation in Legislative Consultations where appropriate External and in house training provided where required Member of the CIPFA Pensions Network Participate in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness Statutory policy documents reviewed annually to ensure compliance with legislation Access to specialist pension media sources <p>Actions to take forward: None identified at this point.</p>	<p>Impact 2</p> <p>Likelihood 1</p>	<p>Director of Finance (oneSource)</p> <p>And</p> <p>Director of Exchequer & Transactional Services (oneSource)</p>

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
5	Inability to manage/govern the Pension Fund and associated services	<p>Causes:</p> <ul style="list-style-type: none"> Ineffective / lack of succession planning Loss of corporate knowledge/expertise Long term sickness absence Increase in staff turnover Lack of knowledge sharing protocols No knowledge base to store experiences/information Lack of resource (Staffing/financial) ICT failure Poor pension fund administration Poor monitoring of employer financial status Inappropriate investment accounting <p>Effects:</p> <ul style="list-style-type: none"> Negative impacts upon service provision Time delays Potential for breach of legislation Financial penalties/ other sanctions Reputational Damage Increased costs due to "buying in" external expertise Employer defaults 	<p>Impact 4 Likelihood 4</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> Bond or guarantee reviews in place and reviewed every three years as part of valuation process Procedure manual in place for Pension Administration Attendance at local forum meetings Attendance at Annual Pension Managers conference Members of Local Authority Pensions Web Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness Attendance at accounting seminars/training Guidance from external agencies (some will be at a cost) Pension Fund uses the service of an external custodian to verify asset values and performance Pension Fund accounts subject to external audit. Continuous pension training 	<p>Impact 4 Likelihood 2</p>	<p>Director of Finance (oneSource)</p> <p>And</p> <p>Director of Exchequer & Transactional Services (oneSource)</p>

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
Page 32		<ul style="list-style-type: none"> Qualified opinion on the accounts by external auditor 		<ul style="list-style-type: none"> ICT Disaster Recovery in place <p>Actions to take forward:</p> <ul style="list-style-type: none"> Succession planning required for key personnel Review / update procedure manuals Option being assessed for joint administration with Newham to build resilience Introduce employer covenants checks Strengthen process for Bond Reviews Development of workflow/process management Development of Training Matrix Establishment of a statutory Local Pension Board to assist the administering authority in effective and efficient governance of the Havering pension Fund 		
	6	Failure to effectively "sign -up" new employers / members	<p>Causes:</p> <ul style="list-style-type: none"> Delays in internal processing of documentation Poor communications with stakeholders Lack of understanding by employers with regard to their responsibilities 	<p>Impact 3 Likelihood 3</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> Escalation to Heads of Service Script in place to deliver to new Academy employers, with feedback process in place (minuted) Database maintained on all contact 	<p>Impact 3 Likelihood 2</p>

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
Page 33		<ul style="list-style-type: none"> ▪ Lack of signed agreements from Employers <p>Effects:</p> <ul style="list-style-type: none"> ▪ Delays in collection of contribution from the employers/members ▪ Impacts cash flow ▪ Potential for litigation ▪ Employer contribution assessment can become out of date ▪ Potential breach of regulations ▪ Incorrect records of new members ▪ External Audit Opinion on internal controls ▪ Employers liabilities may fall back onto other employers and ultimately local taxpayers. 		<p>details for LGPS communications.</p> <ul style="list-style-type: none"> • Monthly schedules of data submitted to Pensions Administration Team • Electronic file of required documents forwarded to new employers <p>Actions to take forward:</p> <ul style="list-style-type: none"> • Review of internal processes (particularly legal input) • Completion of TUPE Process Manual • Completion of Admission Policy manual • Template admission agreement awaiting legal clearance 		
	7	Pension Fund Payment Fraud	<p>Causes:</p> <ul style="list-style-type: none"> ▪ Pension overpayments arising as a result of non-notification in change of circumstances ▪ Internal staff fraud ▪ Staff acting outside of their levels of authorisation <p>Effects:</p> <ul style="list-style-type: none"> ▪ Financial loss ▪ Reputational damage of Pension 	<p>Impact 2</p> <p>Likelihood 3</p>	<p>Mitigations in place:</p> <ul style="list-style-type: none"> • Participate in the National Fraud Initiative (bi-annually) • Process is in place to investigate return of payment by banks. • All pension calculations are peer checked and signed off by senior officer • Segregation of duties within the 	<p>Impact 2</p> <p>Likelihood 2</p>

Pension Fund Risk Register

Ref	Risk Title	Cause & Effect	Inherent Score	Mitigations & Action to take forward	Residual Score	Risk Owner
Page 34		Administration team and Council <ul style="list-style-type: none"> ▪ Litigation / investigation ▪ Internal disciplinary 		Pensions Administration Team <ul style="list-style-type: none"> • Segregation of duties between Payroll and Pensions Administration Team • 100% address check undertaken for deferred pensions Actions to take forward: <ul style="list-style-type: none"> • Consider implementation of a monthly mortality check • Investigating usage of external agencies (i.e. Western Union) (for overseas payments) 		

PENSIONS COMMITTEE
23 June 2015

Subject Heading:

**BUSINESS PLAN/ANNUAL REPORT
ON THE WORK OF THE PENSIONS
COMMITTEE 2014/15**

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

*Debbie Ford
Pension Fund Accountant
01708432569*

Policy context:

*Debbie.ford@onesource.co.uk
A Business plan demonstrates compliance
against Myners' principles for effective
decision making.*

Financial summary:

Any associated costs met by the Pension

**The subject matter of this report deals with the following Council
Objectives**

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

SUMMARY

This report sets out the work undertaken by the Committee during 2014/15 and the plan of work for the following year (2015/16) along with an assessment of the training requirements for Members of the Committee. This will form the basis of the Pension Fund Business Plan.

This report explains why a Business Plan is needed and what it should contain.

RECOMMENDATIONS

1. Members to agree the Business Plan/ Report of the work of the Committee (See Appendix A) and refer it to full Council for consideration.
2. Members consider and agree the training proposals, identifying and incorporating any other needs (Paragraph 6 refers).

REPORT DETAIL

1. Each administrating authority is required by regulation 12 (3) of the Local Government Pension Scheme (LGPS)(Management and Investment of Funds) Regulations 2009 to include in its Statement of Investment Principles the extent to which the authority's policy complies with guidance given by the secretary of state. Compliance is measured against the six principles set out in the Myners Principles.
2. In a letter from the Department of Communities and Local Government (DCLG) to administering authorities dated 14 December 2009 reference is made to using guidance as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 2009. This is a guide to the application of the Myners Principle and includes suggested best practices that could be adopted to demonstrate compliance.
3. In Myners Principle 1: Effective Decision Making - suggested best practice is the creation of a Business Plan and a Training Plan. The Pensions Committee has, in recent years, prepared a report that has covered both Committee activities, including training and the general performance of the Fund. The latter is now a statutory requirement and will be prepared as part of the annual accounts process and included in the Annual Report. It is, however appropriate to continue to prepare a separate report on the activity of the Committee on an annual basis and this will be adopted as the Business Plan. The Business Plan will incorporate the Training Plan. This would also demonstrate compliance against Myners Principles 1: Effective Decision making.
4. CIPFA guidance suggests that the Business Plan is submitted to the committee for consideration and should contain:
 - Major milestones & issues to be considered by the committee
 - Financial estimates – investment and administration of the fund
 - Appropriate provision for training
 - Key targets & methods of measurement

- Review level of internal & external resources the committee needs to carry out its functions
 - Recommended actions to put right any deficiencies.
5. It is important that all the Members of the Committee are adequately trained and briefed to make effective decisions and that members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference of this Committee which are:
1. To consider and agree the investment strategy and statement of investment principles (SIP) for the pension fund and subsequently monitor and review performance
 2. Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
 3. To appoint and review the performance of advisers and investment managers for pension fund investments
 4. To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7,12 or 24 of the Superannuation Act 1972.
6. Training and development will be held having regard to the work plan as shown in **Annex C** of **Appendix A**. The training undertaken can be seen in **Annex B** within **Appendix A**.
7. Changes to the Local Government Pension Scheme (LGPS) Regulations 2015 required Administering Authorities to establish a Local Pension Board (LPB) by no later than 1 April 2015 and guidance issued by the Shadow Scheme Advisory Board and The Pensions Regulator states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role. It was always the plan to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.
8. A joint training strategy is currently being developed and will be presented to the Pensions Committee and LPB in September (LPB meeting dates not yet confirmed).
9. The Fund will continue to use the CIPFA's Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. In addition to the cyclical training that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required.

10. In line with the above, a report is attached as **Appendix A** and will be presented to the Full Council meeting being held in July 2015.

IMPLICATIONS AND RISKS

Financial implications and risks:

1. Training costs are met from the Pension Fund directly or via the Advisor Fee.
2. There is a considerable risk of poor decision making if Members of the Committee are not adequately trained.

Legal implications and risks:

The specialist training of those Members who oversee the administration of the Council Pension Scheme is highly desirable in order to help show the proper administration of the scheme. The Council's Constitution recommends that the Membership of the Pension Committee remains static for the life of the Council for the very reason that Members need to be fully trained in investment matters. The life of the Council is considered to be the four year term.

Otherwise there are no apparent legal implications in taking the recommended decisions.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

None arising directly

BACKGROUND PAPERS

CIPFA Guide investment decision making and disclosure (Dec 09)
The Pensions Regulator Code of Practice 'Governance and administration of public service pension schemes'.
Shadow Scheme Advisory Board 'Guidance on the creation and operation of LPB in England and Wales'



Havering

LONDON BOROUGH

HAVERING PENSION FUND

**BUSINESS PLAN/REPORT ON THE WORK
OF THE
PENSIONS COMMITTEE
DURING
2014/15**

INTRODUCTION

The Havering Pension Fund (the Fund) provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members on the Havering Pension Fund and the work of the Pensions Committee.

The Business Plan looks forward over the next three years and will be reviewed and updated annually.

This report also covers the period 1st April 2014 to 31 March 2015 and outlines:

- The work of the Pensions Committee
- Key issues arising during the course of the year

The financial position of the Havering Pension Fund for 2014/15 is featured as part of the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

BACKGROUND TO THE PENSION FUND

The Council is an Administering Authority under the Local Government Pension Scheme Regulations and as such invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Pension Fund has a total of 35 employers, of which the London Borough of Havering is the largest. The other employers in the fund are made of up of 25 Scheduled bodies (Academies and Further Education bodies) and 9 Admitted bodies (outsourced contracts).

The Council has delegated the responsibility for investment strategy and performance monitoring to the Pensions Committee.

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2013/14 based on data as at 31 March 2013. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for 2014 to 2017. The valuation prior to this date was undertaken at 31 March 2010 and a comparison of funding levels can be seen below:

Summary

Valuation date	31 March 2010	31 March 2013	Estimated Inter - valuation 30 Sept 2014
Total Liabilities	£589m	£752m	£792m
Market Value of Assets	£361m	£461m	£529m
Surplus/(deficit)	(£228m)	(£291m)	(£263m)
Funding Level	61.3%	61.2%	66.8%

The table shows that whilst the 2013 funding level has not changed from 2010 the value of the deficit has increased. This is primarily driven by the change in the value of the liabilities which has been calculated on a set of assumptions used by the Fund's Actuary. The asset returns were higher than expected but not enough to offset the growth in liabilities.

In addition to the Triennial valuation the Fund's Actuary carried out an inter-valuation update. This funding update is provided to illustrate the estimated development of the funding position from 31 March 2013 to 30 September 2014. As the above table shows, as at 30 September 2014, the funding level has increased to 66.8%. This is largely as a result of higher than expected investment returns and an additional cash contribution paid into the Fund by the Council in March 2014. The funding update does not allow for changes in individual members' data since the 2013 valuation, so the accuracy of this calculation is expected to decline over time as the period since the last valuation increases.

The Fund now has seven fund managers (who have specific mandates) and performance is monitored against an agreed benchmark. The Fund has adopted a benchmark for the whole of the fund of Gilts + 1.8% (net of fees).

Havering Pension Fund uses the services of The WM Company to provide comparative statistics on the performance of this Fund.

The performance of the Fund is measured against a tactical and a strategic benchmark. The tactical benchmark is a combination of all the individual benchmarks set for each manager. The strategic benchmark for the overall fund is a liability benchmark of FTSE A Gilts over 15 years plus 2.9% (net of fees) p.a. The main factor in meeting the strategic benchmark is market performance.

In 2014/15, the overall return on the Fund's investments was **13.2%** (2013/14 7.0%). This represented an out performance of 1.7% against the tactical benchmark (2013/14 1.5%) and an under performance of -12.9% against the strategic benchmark (2013/14 outperformance of 7.0%).

The long term strategy of the fund was to reduce exposure to equities and invest in Multi Asset strategies. The following table reflects the asset allocation split and targets against their individual fund manager benchmarks:

Manager and % of target fund allocation	Mandate	Tactical Benchmark	Out performance Target
State Street Global Assets (SSgA) 8%	UK/Global Equities - passive	UK- FTSE All Share Index Global (Ex UK) – FTSE All World ex UK Index	To track the benchmark
Baillie Gifford 17%	Global Equities - Active	MSCI AC World Index	1.5 – 2.5% over rolling 5 year period
Royal London Asset Management 20%	Investment Grade Bonds	<ul style="list-style-type: none"> • 50% iBoxx Sterling Non Gilt Over 10 Year Index • 16.7% FTSE Actuaries UK Gilt Over 15 Years Index • 33.3% FTSE Actuaries Index-Linked Over 5 Year Index 	0.75%

Manager and % of target fund allocation	Mandate	Tactical Benchmark	Out performance Target
UBS 5%	Property	IPD (previously called HSBC/AREF) All Balanced Funds Median Index	To outperform the benchmark
Ruffer 15%	Multi Asset	Not measured against any market index – for illustrative purposes LIBOR (3 months) + 4%.	To outperform the benchmark
GMO Global Real Return (UCITS) 20%	Multi Asset	OECDG7 CPI by +3 to 5% over the medium to long term-	To outperform the benchmark
Baillie Gifford – Diversified Growth Fund 15%	Multi Asset	UK Base Rate +3.5%	To outperform the benchmark

UBS, SSgA, GMO and Baillie Gifford manage the assets on a pooled basis. Royal London and Ruffer manage the assets on a segregated basis. Performance is monitored by reference to the benchmark and out performance target.

Fund Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure are the pooled Managers (SSgA, UBS, Baillie Gifford and GMO) and Ruffer who will attend two meetings per year, one with Officers and one with the Pensions Committee. However, if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements will be made for additional presentations.

FUND GOVERNANCE STRUCTURE

Day to day management of the Fund is delegated to the Group Director of Communities and Resources. Investment strategy and performance monitoring of the Fund is a matter for the Pensions Committee which obtains and considers advice from the authority's officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The terms of reference for the committee are:

- To consider and agree the investment strategy and statement of investment principles (SIP) for the pension fund and subsequently monitor and review performance
- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- To appoint and review the performance of advisers and investment managers for pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7, 12 or 24 of the Superannuation Act 1972

The membership of the Pensions Committee reflects the political balance of the Council and following the Local elections held in May 2014 the structure of the Pensions Committee was as follows:

Cllr John Crowder (Chair) – Conservative Group
Cllr David Johnson (Vice Chair) – UKIP
Cllr Melvin Wallace - Conservative Group
Cllr Roger Westwood – Conservative Group
Cllr John Mylod – Residents' Group
Cllr Ron Ower – Residents' Group
Cllr Linda Hawthorne – Residents' Group
Union Members (Non-voting) - John Giles (Unison), Andy Hampshire (GMB)
Admitted/Scheduled Body Representative (voting) – Heather Foster-Byron – Employer Representative

Following the formation of a new coalition, the Conservative Group linked with the newly formed East Havering Residents Group and changes were made to the political balance of the Council. Consequently the Pensions Committee members, from the 22 October 2015, are as follows:

Cllr John Crowder (Chair) – Conservative Group
Cllr David Johnson (Vice Chair) – UKIP
Cllr Melvin Wallace - Conservative Group
Cllr Eric Munday – Conservative Group
Cllr Roger Westwood – Conservative Group
Cllr John Mylod – Residents' Group
Cllr Stephanie Nunn – Residents' Group
Cllr Clarence Barrett – East Havering Residents' Group
Union Members (Non-voting) - John Giles (Unison), Andy Hampshire (GMB)

Admitted/Scheduled Body Representative (voting) – Heather Foster-Byron – Employer Representative

Fund Administrator	London Borough of Havering
Actuary	Hymans Robertson
Auditors	PricewaterhouseCoopers LLP (PWC)
Performance Measurement	WM Company
Custodians	State Street Global Services
Investment Managers	Royal London Asset Management (Investment Bonds) UBS (Property) State Street Global Assets (UK/Global Equities – passive) Ruffer LLP (Multi Asset) Baillie Gifford (Global Equities) Baillie Gifford (Multi Asset diversified Growth Fund) Barings (Multi Asset Dynamic Asset Allocation Fund) until August 2014. GMO Global Real Return (UCITS) Fund (GRRUF) from January 2015)
Investment Advisers	Hymans Robertson
Legal Advisers	London Borough of Havering Legal Services provide legal advice as necessary (specialist advice is procured as necessary)

PENSION COMMITTEE MEETINGS 2014/15

The Committee met a number of times during 2014/15 and **Annex A** sets out the coverage of matters considered, but the key issues that arose in the period are shown below:

Key issues arising in the period

- **Agreed 2013/14 Pension Fund Accounts**

Also noted the external auditors report on the accounts for 2013/14

- **Annual Report**

The Pension Fund Annual Report 31 March 2014 was produced and agreed in line with the LGPS (Administration) regulations.

- **Governance Compliance Statement**

In line with the 2008 Local Government Pension Scheme (LGPS) the Committee undertook an annual review of the Pension Fund's Governance Compliance Statement.

- **Whistleblowing Requirements of the Pensions Act**

An annual review was undertaken and no issues were reported.

- **Business Plan**

The Pension Fund Business Plan for 2013/14 was agreed incorporating the work of the pension committee members.

- **Reviewed Fund Managers quarterly performance**

- **Reviewed performance of the Pension Fund's Custodians and Investment Advisor**

- **Collective Investment Fund**

The Committee agreed to recommend to Council joining the Collective Investment Vehicle.

- **Discretions and Delegations**

Agreed the revised Administration Authority's Statement of Policies and Discretions. Also agreed to delegate to officers the setting of Havering Employer Discretions and then later noted the final version.

- **Changes to LGPS Regulations**

Noted and received reports on changes to the Pensions Regulations from 1 April 2014 and noted the Governance reforms and agreed to set up an officer working party to organise the establishment of a Local Pension Board.

PENSION COMMITTEE MEETINGS 2014/15 AND ONWARDS

In addition to the annual cyclical work programme as shown in **Annex C** there are a number of issues that are likely to be considered by the Pensions Committee in the coming year and beyond:

- Guidance manual for officers on requirements & actions necessary to admit new employers into the fund.
- 2015 will see the introduction of a Local Pension Board and working relationship established
- A joint Training Strategy to be considered for both the Pensions Committee members and Local Pension board members.
- Continued training and development
- Topical issues discussed as appropriate.

INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the Administrating Authorities' Finance and Administration services and the associated costs are therefore reimbursed to the Administrating Authority by the Fund. The costs for these services form part of the Administrative and Investment Management expenses as reported in the Pension Fund Statement of Accounts. Estimates for the medium term on Administration and Investment Management expenses follow in this report.

The Pensions Administration service consists of an establishment of 9.1 full time equivalent posts (7.5 are in post and 1.6 posts are vacant).

The Finance service that supports the pension fund consists of an establishment of 2 full time equivalent posts (all in post).

FINANCIAL ESTIMATES

In June 2014 The Chartered Institute of Public Finance & Accountancy (CIPFA) produced guidance on how to account for Management costs in order that improvements in cost comparisons can be made across all funds. Therefore Management costs have now been split to introduce a third category of costs. The tables that follow have now been reanalysed to include the three categories of costs as defined by CIPFA:

Administrative Expenses

Includes all staff costs associated with Pensions Administration, including Payroll.

	2013/14 Actual	2014/15 Estimate £000's	2014/15 Actual	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Administration & Processing	693	630	411	356	356	356
Other Fees	7	5	7	6	6	6
Other Costs	10	10	32	32	32	32
TOTAL	710	645	450	394	394	394

The Administration and Processing costs increased from 2013/14 due to the purchase of an upgraded pension Administration system called ALTAIR from Heywood Limited. The contract is for five years but the 1st year costs include the implementation costs and an upfront licensing fee.

Investment Management expenses

These costs will include any expenses incurred in relation to the management of fund assets. Does not include fees payable to pooled fund managers where fees are deducted from the asset value.

	2013/14 Actual	2014/15 Estimate £000's	2014/15 Actual	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Fund Manager Fees	945	953	837	900	900	900
Custodian Fees	45	45	34	35	35	35
Performance Measurement services	12	12	13	13	13	13
TOTAL	1,002	1,010	884	948	948	948

Governance and Oversight

These costs include all costs that fall outside of the other two categories and include legal, advisory, actuarial and training costs. Staff costs associated with the financial reporting and support services to the Committee is included here.

	2013/14 Actual	2014/15 Estimate £000's	2014/15 Actual	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Financial Services	142	142	142	142	142	142
Actuarial Fees	53	10	28	20	20	20
Audit Fees	21	21	20	21	21	21
Member training	0	0	2	10	10	10
Local Pension Board	0	0	13	25	25	25
Advisor Fees	83	50	61	50	50	50
TOTAL	299	223	266	268	268	268
OVERALL TOTAL	2,011	1,878	1,600	1,610	1,610	1,610

Please note the following regarding the above figures

- Takes no account of any inflationary increases
- Management and custody fees are charged according to the fund value; therefore an average figure has been applied for 2015/16 onwards.
- Based on 2014/15 fund and staffing structures.
- Local Pension Board budget has been reduced to show the training costs separately as this will be shared with the Pensions Committee.

TRAINING AND DEVELOPMENT STRATEGY

Long membership of the committee is encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

The majority of training and development is cyclical in nature, spanning the four year membership of the committee.

Induction Training was provided for the newly formed Pensions Committee in June 2014 but any further induction training was put on hold pending appointments to the Local Pension Board (LPB).

Training and development took place during 2014/15 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

The Fund uses the three day training courses offered by the Local Government Employers which is specially targeted at elected members with Pension Fund responsibilities. All new members are encouraged and given the opportunity to attend.

Members receive briefings and advice from the Funds Investment adviser at each committee meeting.

Members and Officers also attend seminars arranged by Fund Managers or other third parties who specialise in public sector pensions.

The Fund is a member of the CIPFA Pensions network which gives access to an extensive programme of events, training/workshops, weekly newsletters and documentation, including briefing notes on the latest topical issues.

The Pension Fund Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

Training logs are maintained and attendance and coverage can be found in **Annex B**.

TRAINING PLAN FOR 2015/16 and ONWARDS

Changes to the Local Government Pension Scheme (LGPS) Regulations required Administering Authorities to establish a Local Pension Board (LPB) by no later than 1 April 2015.

LGPS (Amendment) (Governance) Regulations 2015 states that Administering Authority must have regard to guidance issued by the Secretary of State. Guidance was issued by the Shadow Scheme Advisory Board in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role. It was always the plan to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.

The Pensions Regulator Code of Practice which comes into force from 1 April 2015 includes a requirement for members of the Pension Committee/LPB to demonstrate that they have an

appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB.

Induction Training was provided for the newly formed Pensions Committee in June 2014 but any further induction training was put on hold pending appointments to the LPB.

Appointments to the LPB will be finalised in June 2015 and training will be resumed for both Pension Committee and LPB members.

A joint training strategy is currently being developed and will be presented to the Pensions Committee and LPB in September (LPB meeting dates not yet confirmed).

The Fund will aim for full compliance with the CIPFA's Knowledge and Skills Framework and Code of Practice to meet the skill set within the framework.

The Fund will continue to use the CIPFA's Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. In addition to the cyclical training and development that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required.

The Pensions Regulator is planning to launch an e-learning programme and this would be made available for members to use.

Associated training and development will be given when required which will be linked to the Pension Fund meeting cyclical coverage for 2015/16 as shown in **Annex C**.

In addition to the cyclical meeting as shown in Annex C, special pension committee meetings will be arranged from time to time to discuss matters that fall outside of the cyclical meetings.

Training will be targeted as appropriate.

PENSIONS COMMITTEE MEETINGS HELD DURING 2014/15		ANNEX A
MONTH	TOPIC	ATTENDED BY
27 June 2014	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 31 March 2014, received presentations from Ruffer (Multi Asset Absolute Return Manager) and Baillie Gifford (Global Equity Manager) and (Diversified Growth Fund Manager). Noted changes to the Pensions Regulations from 1 April 2014 and to delegate the setting of Scheme Employer Discretions to officers. 	Cllr John Crowder (chair) Cllr David Johnson(vice chair) Cllr Roger Westwood Cllr Clarence Barrett (sub for John Mylod) Cllr Linda Hawthorne Cllr Stephanie Nunn (sub for Ron Ower) John Giles (UNISON) Heather Foster-Byron (employer representative)
23 September 2014	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 30 June 2014, received presentations from Royal London (Bonds Manager) and UBS (Property Manager). Noted Pension Fund Accounts for the year ending 31 March 2014. Considered and noted the external auditor's report (ISA260) for the Pension Fund and Officers response to issues raised. Noted the final employer discretion decisions and Policy Statement for Havering. Noted the draft charging policy and noted the Pensions Administrative Team work plan for 2014/15. Approved the revised Administration Authority's Statement of policies and discretions and delegations. Noted the Local Government Governance reforms and agreed to set up an officer working party to establish the creation of a Local Pension Board. Agreed to undertake the procurement of the Funds Actuarial service provider and agreed to delegate this to officers. 	Cllr John Crowder (chair) Cllr Melvin Wallace Cllr Roger Westwood Cllr Linda Hawthorne Cllr Ron Ower John Giles (UNISON) Heather Foster-Byron (employer representative)
23 October 2014 (SPECIAL)	<ul style="list-style-type: none"> Multi Asset Manager Selection Interviews- 1/2 day event. 	Cllr John Crowder (chair) Cllr David Johnson(vice chair) Cllr Melvin Wallace Cllr Meg Davis (sub for Roger Westwood)

PENSIONS COMMITTEE MEETINGS HELD DURING 2014/15

ANNEX A

MONTH	TOPIC	ATTENDED BY
		Cllr Stephanie Nunn (sub for John Mylod) John Giles (UNISON) Heather Foster-Byron (employer representative)
25 November 2014	<ul style="list-style-type: none"> Noted the views of officers on the performance of the Fund's Custodian for the period October 2013 to September 2014. Noted the views of officers on the performance of the Fund's Investment Advisor for the period September 2013 to September 2014. Noted the results of the Whistle Blowing Annual review and that no breaches had been reported Considered and agreed changes as necessary to the Governance Compliance Statement. Agreed the Pension Fund Annual Report for the year ending 31 March 2014. 	Cllr John Crowder (chair) Cllr David Johnson(vice chair) Cllr Melvin Wallace Cllr Roger Westwood Cllr Stephanie Nunn Cllr Clarence Barrett John Giles (UNISON) Chris Pearson (sub for Andy Hampshire)??
16 December 2014	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 30 September 2014, received presentations from Baillie Gifford (Global Equity Manager) and (Diversified Growth Fund Manager). Noted the Havering Pension Fund funding update as at 30 September 2014. 	Cllr John Crowder (chair) Cllr David Johnson(vice chair) Cllr Melvin Wallace Cllr Roger Westwood Cllr Stephanie Nunn Cllr Clarence Barrett Heather Foster-Byron (employer representative)
17 March 2015	<ul style="list-style-type: none"> Pension Fund Performance Monitoring for the quarter ending 31 December 2014, received presentation from Royal London (Bonds Manager), UBS (Property Manager) and State Street Global Assets (UK/Global passive equities manager). Considered whether to recommend to Council to seek membership of the Collective Investment Vehicle (CIV) EXEMPT –Considered whether to amend the fund's equity strategy, to reflect a change in passive indices. 	Cllr John Crowder (chair) Cllr David Johnson(vice chair) Cllr Melvin Wallace Cllr Roger Westwood Cllr John Mylod Cllr Stephanie Nunn Cllr Clarence Barrett John Giles (UNISON)

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- Please note that three members constitute a quorum.
- Target dates for issuing agendas were met.

PENSIONS COMMITTEE MEMBER TRAINING 2014/15

ANNEX B

DATE	TOPIC COVERED	LOCATION	COST	ATTENDED BY
24 June 2014	<p>Pension induction - Officer covered :</p> <ul style="list-style-type: none"> ○ Brief overview of the havering Pension fund ○ How the scheme is funded ○ Governance Structure ○ Key parties in the Fund ○ Investment Monitoring ○ Strategy documents <p>Hymans Actuary covered :</p> <ul style="list-style-type: none"> ○ Role of the actuary ○ Introduction to actuarial valuations ○ Valuing Liabilities ○ 2013 valuation results <p>Hymans Investment Advisor covered:</p> <ul style="list-style-type: none"> ○ Role of investment consultant ○ Drivers and influences on investment decision making ○ Existing mandates within current investment strategy 	Town Hall - prior to Pensions Committee meeting	Officer time + £3,000 for Hymans investment advisor and actuary	Cllr John Crowder (chair) Cllr David Johnson (vice – chair) Cllr Roger Westwood (late)
9 July 2014	London Pensions CIV – briefing for members	London Councils Conference suite, London	Free	Cllr John Crowder (chair) (only one place available)
16 Sept 2014	Pension Fund Accounts briefing	Town Hall	Officer Time	Cllr John Crowder (chair) Cllr Melvin Wallace Cllr Roger Westwood John Giles (UNISON)
7 October 2014	CIPFA- “Managing change in the LGPS”	London	Pre-paid space (part of subscription)	Cllr John Crowder (Chair) (limited pre-paid places – offered to chair only)

DATE	TOPIC COVERED	LOCATION	COST	ATTENDED BY
28 October 2014 25 November 2014 16 December 2014 (This is a three day course)	Local Government Association doing Trustee Training Fundamentals: <ul style="list-style-type: none"> • Day 1(28 Oct 14) <ul style="list-style-type: none"> ○ LGPS framework (past and Present) ○ Investment framework ○ Delivering the Service ○ Traditional Asset Classes 	London	£230.00 each	Cllr John Crowder (chair) Cllr Stephanie Nunn
Page 54	<ul style="list-style-type: none"> • Day 2 (25 Nov 14) <ul style="list-style-type: none"> ○ Valuations ○ Funding Strategy Statements ○ Corporate Governance ○ Communication Strategies/Policies ○ Established Alternative Investments 	London	£230.00 each	Cllr John Crowder (chair) Cllr Stephanie Nunn
	<ul style="list-style-type: none"> • Day 3 (16 Dec 14) <ul style="list-style-type: none"> ○ Duties and Responsibilities of committee members ○ The future for LGPS ○ New Governance arrangement ○ Bringing it all together 	London	£230.00 each	Cllr John Crowder (chair) Cllr Stephanie Nunn
6 November 2014	Baillie Gifford – Diversified Growth Seminar	London	Free	Cllr Melvin Wallace
12 November 2014	CIPFA – “Pensions Annual Conference”	Radison Blu Hotel, London	Pre-paid space (part of subscription)	Cllr John Crowder (chair) (limited pre-paid places-offered to chair only)
18 November 2014	Govtoday – “Future of the LGPS”	Mermaid Conference, London	Free	Cllr John Crowder (Chair) Cllr David Johnson (Vice chair) -(only three places available)
26 January 2015	Charles Stanley – “ can the LGPS be dynamic and passive”	London	Free	Cllr Stephanie Nunn

INDICATIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE 2015/16

ANNEX C

	16 JUNE 2015	22 SEPTEMBER 2015	24 NOVEMBER 2015	15 DECEMBER 2015	15 MARCH 2016
Formal Committees with Members Page 55	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of March: <ul style="list-style-type: none"> a) Baillie Gifford (Diversified Growth Fund) b) Baillie Gifford (Pooled Global Equity) c) GMO (Multi Asset) ▪ Risk Register ▪ Business plan/ Annual report on the work of the committee ▪ Mandate changes 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of June: <ul style="list-style-type: none"> a) Royal London (Bonds) b) Ruffer (Multi Asset Absolute Return) ▪ Pension Fund Accounts 13/14 ▪ Training Strategy 	<ul style="list-style-type: none"> ▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Pension Fund Annual Report 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of September: <ul style="list-style-type: none"> a) SSGA (Passive Global Equity) b) Baillie Gifford (Diversified Growth Fund) c) Baillie Gifford (Pooled Global Equity) 	<ul style="list-style-type: none"> ▪ Overall Monitoring Report on Pension Fund to end of December: <ul style="list-style-type: none"> a) Royal London (Bonds) b) UBS (Property)
Officer Meeting	Meeting: 11 May 15 <ul style="list-style-type: none"> ▪ Royal London (Bonds) ▪ SSGA (Passive Equity Manager) 	Meeting: Aug 15 <ul style="list-style-type: none"> ▪ UBS (Property) ▪ Baillie Gifford (Diversified Growth Fund) ▪ Baillie Gifford (Pooled Global Equity) ▪ WM presentation Meeting ▪ Advisor Review ▪ Custodian Review 	No officer meeting	Meeting: Nov 15 <ul style="list-style-type: none"> ▪ GMO (Multi Asset Manager) ▪ Royal London (Bonds) 	Meeting: 04Feb 16 <ul style="list-style-type: none"> ▪ Baillie Gifford (Diversified Growth Fund) ▪ Baillie Gifford (Pooled Global Equity) ▪ Ruffer (Multi Asset Absolute Return)
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

