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Havering
LONDON BOROUGH

PENSIONS COMMITTEE AGENDA

7.00 pm	**Tuesday 13 March 2018**	**Committee Room 3A - Town Hall**

Members 7: Quorum 3

COUNCILLORS:

Conservative (3)	**Residents' (1)**	**East Havering Residents' (1)**	**UKIP (1)**
John Crowder (Chairman) Melvin Wallace Joshua Chapman	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)

For information about the meeting please contact:
Victoria Freeman 01708 433862
victoria.freeman@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:-

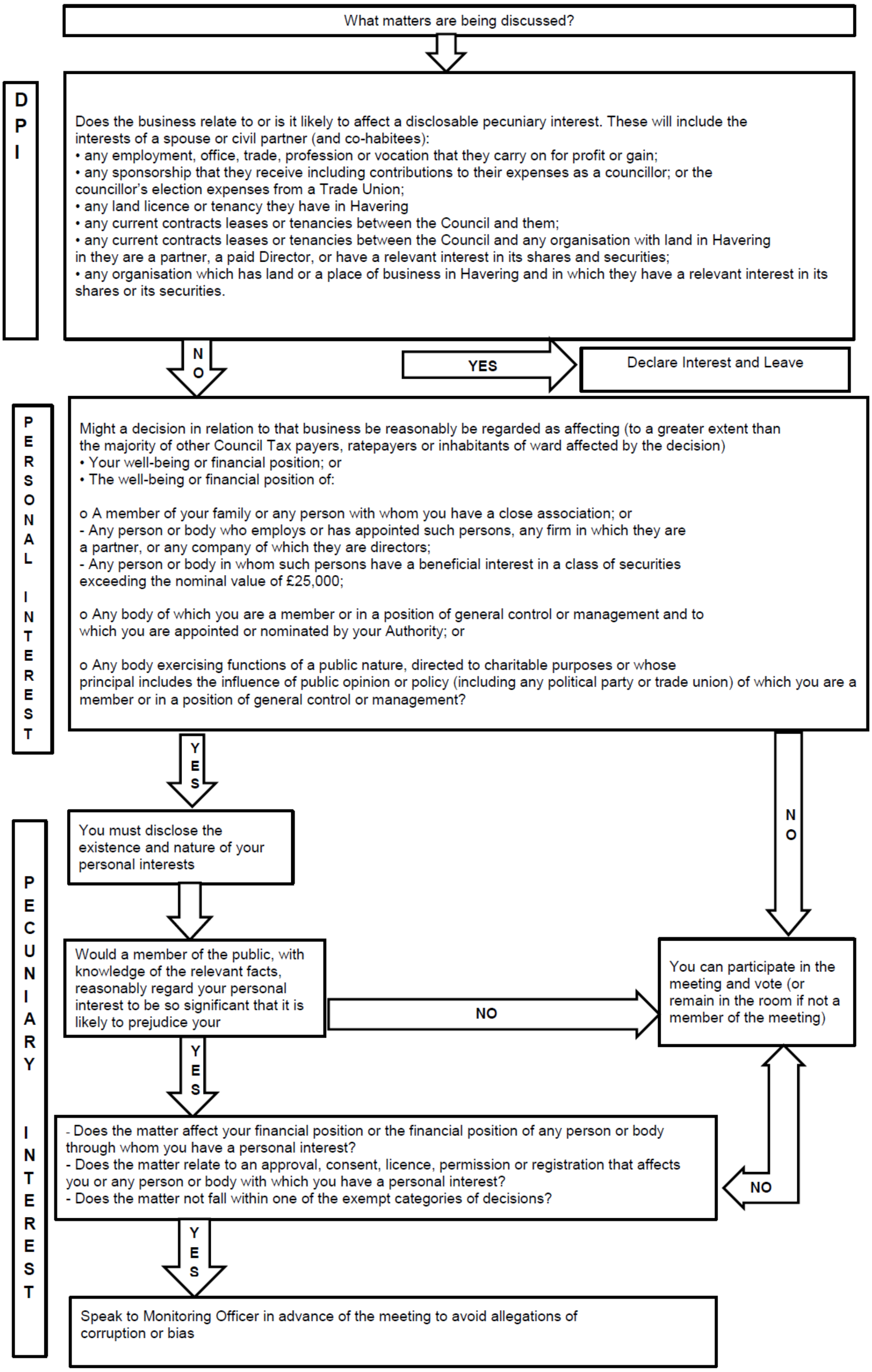
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing,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

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



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 INTERESTS

Members are invited to disclose any interest in any of the items on the agenda at this point of the meeting. *Members may still disclose any 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 12th December 2017 and authorise the Chairman to sign them.

5 PENSION FUND AUDIT PLAN 2017/18 (Pages 5 - 40)

6 BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2017/18 (Pages 41 - 72)

7 INVESTMENT MANAGEMENT CONSULTANCY SERVICES - EXTENSION TO EXISTING CONTRACT (Pages 73 - 78)

8 LONDON CIV - CONSULTATION ON PROPOSED STRATEGY (Pages 79 - 120)

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 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED DECEMBER 2017 (Pages 121 - 182)

Andrew Beesley
Head of Democratic Services

MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
12 December 2017 (7.00 - 8.41 pm)

Present:

COUNCILLORS

Conservative Group	John Crowder (Chairman), Melvin Wallace and Joshua Chapman
Residents' Group	Stephanie Nunn
East Havering Residents' Group	Clarence Barrett
UKIP Group	David Johnson (Vice-Chair)
Trade Union Observers	John Giles

All decisions were taken with no votes against.

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

30 **MINUTES OF THE MEETING**

The minutes of the meeting held on the 21st November 2017, were agreed as a correct record and signed by the Chairman.

31 **PENSION BOARD COMMITTEE MINUTES (26 SEPTEMBER 2017)**

The Committee received and noted the unapproved minutes of the Local Pension Board held on the 26 September 2017.

32 **PENSION FUND VALUATION FUNDING FROM 31 MARCH 2016 TO 30 SEPTEMBER 2017**

Members received a report from the Fund's Actuary Hymans Robertson, to illustrate the estimated development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017.

In line with the Local Government Pension Scheme, the Fund's actuary carried out a triennial valuation as at 31 March 2016, with the main purpose of estimating on-going employer liabilities and evaluating this against the funds' assets and calculating the funding position within the fund, which was then used to set future employer contribution rates. Hymans Roberson provided a report which illustrated the development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017 to allow for an assessment as to whether the funding plan was on track and for actions to be taken where necessary. The key item from the report was that the funding level since the last formal valuation had increased from 66.8% to 69.4%, which was largely due to higher investment returns. The next full report would be presented in March 2019.

Resolved that:

i) The Havering Pension Fund interim funding position update to 30 September 2017, be noted.
ii) No action was required to change the funding plan.

33 **RESPONSIBLE INVESTMENT REVIEW**

The report before members presented a summary on the responsible investment activities, of the Fund's investment managers in support of the Committee's ongoing monitoring requirement as set out in the Investment Strategy Statement. The review focused on the period for the year to 30 June 2017.

Officers were in discussion with Hymans Robertson regarding the potential development of responsible investment monitoring and to explore the possibility of arranging a training session in the New Year that would also cover the broader developments of the investment strategy, incorporating responsible investments and the impact this may have on the Fund.

The issue of fossil fuel was mentioned and a training session on social responsibility investments and challenges, and a collective discussion on fossil fuels and managing financial risk were suggested. Officers, in discussion with members indicated that this can be picked up as part of the training and development on responsible investing.

A report on the FRC Stewardship Code Principles would be presented to the next meeting for consideration.

Resolved that:

i) The Hymans summary review of fund manager voting and engagement activity (Appendix A), be noted; and
ii) The potential development of the monitoring and review process as outlined in the Hymans report (Appendix A), be noted.

34 **LOCAL PENSION BOARD ANNUAL REPORT- YEAR ENDED 31 MARCH 2017**

The Committee received the Local Pension Board Annual Report 2016/17, which was presented by Mark Holder, Chairman of the Local Pension Board.

The report had been produced in line with the guidance issued by the Scheme Advisory Board and detailed activities for the past year and focussed on the planning and development of a robust action plan for the Board with relevant training and development for the coming/future year.

The Committee thanked Mark Holder for his report.

Resolved:

That the 2016/17 Local Pension Board Annual Report, be noted.

35 **EXCLUSION OF THE PUBLIC**

The Committee resolved to exclude 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.

There were no members of the public or press present for the duration of the meeting.

36 **PERFORMANCE MONITORING REPORT TO END OF SEPTEMBER 2017**

The Committee received an overview of the performance of the Havering Pension Fund investments for the first quarter to 30 September 2017.

An analysis of the internally managed cash balance of £16.59m was presented. The Cash Management Policy incorporated a threshold as the maximum amount of cash that the fund should hold and introduced a discretion that allowed the Chief Executive (now the statutory S151 Officer) to exceed the threshold to meet unforeseeable volatile unpredictable payments. The excess above the threshold of £6m was being considered as to part fund the new fixed income mandates.

Simon Jones, Senior Investment Consultant, and Callum Stewart, Associate Consultant, presented their quarterly monitoring report on behalf of Hymans Robertson LLP.

Kevin Cullen, Client Relations Director, and Robert Hall, Head of Equities, presented on behalf of London CIV, discussing the performance of the Baillie Gifford Global Growth Fund and the Baillie Gifford Diversified Growth Fund, which they manage on behalf of the Pension Fund. The Committee received updates /details of proposals for the further development of the London CIV.

The Committee thanked the representatives of Hymans Robertson LLP and London CIV, for their respective presentations.

Resolved: That

i) **The summary of the performance of the Pension Fund within the report, be noted.**
ii) **The Committee considered Hymans performance monitoring report and presentation (Appendix A – Exempt).**
iii) **A presentation from the London CIV for the Funds investment in both Baillie Gifford Global Alpha fund and the Diversified Growth Fund, be received (Appendix B – Exempt).**
iv) **The Committee considered the latest quarterly update from the Chair of the Investment Advisory Committee, LCIV (Appendix C – Exempt).**
v) **The analysis of the cash balances, be noted.**

37 **MAY GURNEY CESSATION INTO HAVERING PENSION FUND**

The report before Members detailed the incidents and actions taken for the cessation of May Gurney as an employer of the Havering Pension Fund.

Resolved:

That the agreed outcome to settle based on legal advice, be noted.

Chairman

Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 MARCH 2018

Subject Heading:	**PENSION FUND AUDIT PLAN 2017/18**
CMT Lead:	**Debbie Middleton**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Accountant*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	**Planned audit of the 2017/18 Pension Fund Accounts**
Financial summary:	Indicative fee scale is £21,000.

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides members with an Audit Plan as issued by Ernst & Young LLP for the work they plan to undertake for provision of an audit opinion on the pension fund accounts for the year ending 31 March 2018.

RECOMMENDATIONS

That the Committee note the 2017/18 Audit Plan

REPORT DETAIL

1 Background

1.1. Ernst and Young are the Councils appointed auditors and this will be the third audit undertaken by Ernst & Young for the Havering Pension Fund.

1.2. The Audit Plan sets out the work that Ernst and Young plan to undertake in order to provide an audit opinion on the financial statements of the Havering Pension Fund and whether they give a true and fair view of the financial position as at 31 March 2018. They will also review the Pension Fund's Annual report.

1.3. The Audit Plan for the Pensions Fund was presented to the Audit Committee on the 28 February 2018.

1.4. The Accounts and Audit Regulations 2015 introduced a change in the statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and audit completion and publication by 31 July 2018.

1.5. The final audit report will be presented to the Audit Committee on the 25 July 2018.

1.6. The Audit Plan can be seen as attached in **Appendix A.**

IMPLICATIONS AND RISKS

Financial implications and risks:

The agreed fee of £21,000 is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Accounts opinion and value for money conclusions is unqualified
- Appropriate quality of documentation is provided by the Pension Fund; and

- The Pension Fund has an effective control environment

A variation to the fees will be sought if any of the above assumptions are not met.

No variation to the fees was required for the 2016/17 audit.

Legal implications and risks:

There are no legal implications arising directly from this report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

None arising that directly impacts on residents or staff.

BACKGROUND PAPERS

Ernst & Young LLP 2017/18 Audit Plan

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Havering Pension Fund

Audit planning report

Year ended 31 March 2018

February 2018

Building a better working world

Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BD

28 February 2018

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 February 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson
For and on behalf of Ernst & Young LLP
Enc

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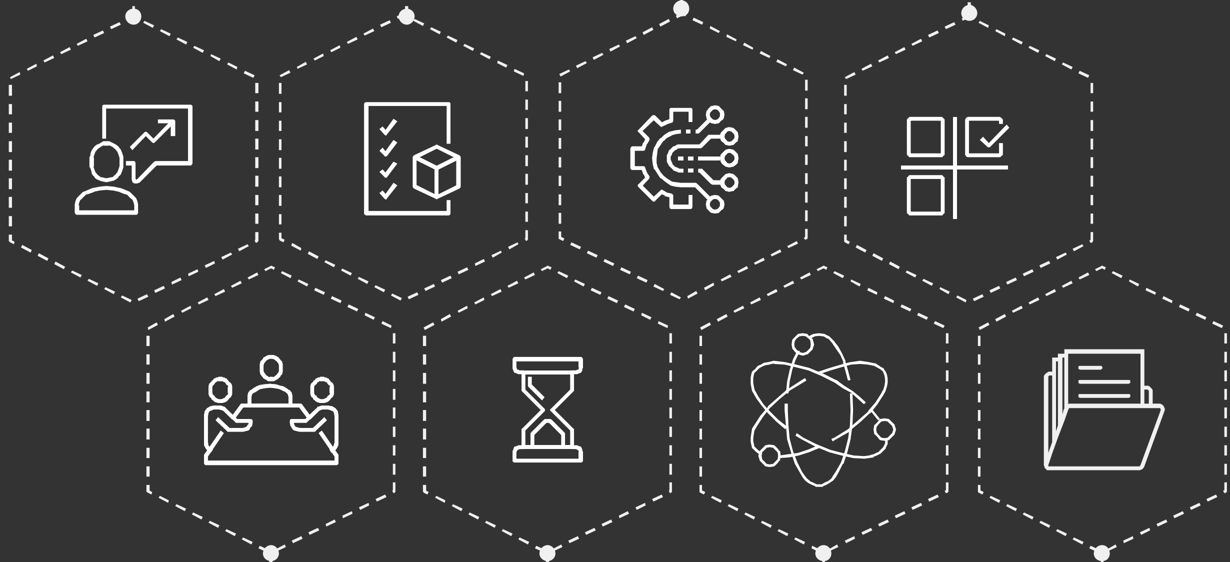

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the via the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The “Terms of Appointment (updated February 2017)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit Committee and management of Havering Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Havering Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Havering Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2017/18 audit strategy

Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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Materiality

Planning materiality £11.6m

Materiality has been set at £11.6m, which represents 2% of the prior year's net assets of the scheme available to fund benefits.

Performance materiality £8.7m

Performance materiality has been set at £8.7m, which represents 75% of materiality.

Audit differences £579k

We will report all uncorrected misstatements relating to the primary statements (Pension Fund Account and Net Asset Statement) greater than £579k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

§ Our audit opinion on whether the financial statements of Havering Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and

§ Our audit opinion on the consistency of the Pension Fund financial statements within the pension fund annual report with the published financial statements of the London Borough of Havering.

We will form an opinion on the financial statements under International Standards on Auditing (UK & Ireland).

Our audit includes:

- Identifying and understanding the key processes and internal controls;
- Where relevant, reviewing the work of your internal auditors;
- Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work; and
- Substantive tests of detail of transactions and amounts.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Audit Committee.

02 Audit risks

Our response to significant and fraud risks

Misstatements due to fraud or error

What is the risk?	What will we do?
The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. For the Pension Fund we have identified the valuation of investments as the area of the accounts most susceptible to the risk of misstatement.	Our approach will focus on: Ø Identifying the risk of fraud during the planning stage of our audit, and keep that assessment under review throughout the duration of our audit; • Inquiry of management about risks of fraud and the controls put in place to address those risks. • Understanding the oversight given by those charged with governance of management's processes over fraud. • Consideration of the effectiveness of management's controls designed to address the risk of fraud. • Determining an appropriate strategy to address those identified risks of fraud. • Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. • Reviewing accounting estimates for evidence of management bias; • Evaluating the business rationale for significant unusual transactions; and • Detailed testing of higher risk investments such as private equity and directly held property to source documentation.

Other areas of audit focus

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers for the Pension Fund. Risks to the Council include slippage in delivering data for analytics work in format and to time required, and the provision of late working papers.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

In relation to this issue we:

- Are working with the Council to facilitate early substantive testing where appropriate.
- Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Are working with the Council to implement the EY Client Portal, this will:
  - Streamline our audit requests through a reduction of emails and improved means of communication;
  - Provide on –demand visibility into the status of audit requests and the overall audit status;
  - Reduce risk of duplicate requests; and
  - Provide better security of sensitive data.
- Agree with you the timing of each element of our work with you.
- Will agree with you the supporting working papers that we require to complete our audit.

03 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £11.6m. This represents 2% of the Fund's prior year net assets of the scheme available to fund benefits. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.

The Pension Fund is a not public interest entity and a major local authority based on its size, and we have considered the overall risk profile and public interest in comparison to other Pension Fund's, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we have maintained planning materiality to 2% of net assets.

Net Assets Available to Fund Benefits
£671m

Planning materiality
£11.6m

Performance materiality
£8.7m

Audit differences
£579k

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.7m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

04 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) and form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of the London Borough of Havering.

As well as the financial statement risks outlined in Section 2, we perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our audit involves:
- Identifying and understanding the key processes and internal controls;
- Where relevant reviewing the work of your internal auditors;
- Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work; and
- Substantive tests of detail of transactions and amounts.

Our Audit Process and Strategy (continued)

Audit Process Overview

Processes
Our initial assessment of the key processes across the Pension Fund has identified that we will be taking a fully substantive audit approach at year end.

As investments are managed by contracted fund managers and overseen by the appointed custodian, we will also review the findings of independent ISAE 3402 assurance reports, for the custodian and fund managers, and assess if there are any issues reported that might impact on our testing strategy.

Analytics
We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:
- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques

Internal Audit
As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

05 Audit team

Audit team

Audit team structure:

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Debbie Hanson
Associate Partner

Stephen Bladen
Senior Manager

Alex Rafalowicz-Campbell
Senior

EY Pensions
(Pensions Specialist)

Key Audit Team Change

Debbie Hanson has replaced Melissa Hargreaves as the Key Audit Partner. Debbie has a number of years experience working with Pension Funds. Debbie also has a number of years experience working as the key partner on other local government audits including the Fund's administering body, the London Borough of Havering.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Investment Valuation	The Pension Fund's custodian and fund managers
Actuarial present value of promised retirement benefits.	EY Pensions Advisory PwC (Consulting Actuary to the NAO) Hymans Robertson (Actuary to Havering Pension Fund)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

06 Audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	December / January	Audit Committee: 28 February 2018	Audit Planning Report
Interim audit testing	February	Audit Committee: 25 April 2018	Progress report
Year end audit	June / July		
Audit Completion procedures	July	Audit Committee: 25 July 2018	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	August	Audit Committee: 24 October 2018	Annual Audit Letter

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07 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and where we do so, we will comply with the policies that you have approved, and the Financial Reporting Council's Ethical Standards, and the National Audit Office's Auditor Guidance Note 01. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we do not undertake any non-audit work on behalf of either the London Borough of Havering or Havering Pension Fund. Therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017

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08 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee – Code work	21,000	21,000	21,000
Total fees	21,000	21,000	21,000

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All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – February 2018
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report – July 2018

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report – July 2018
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report – July 2018
Fraud	• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report – July 2018
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – July 2018

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Appendix B

Required communications with the Audit Committee (continued)

Required communications	What is reported?	Our Reporting to you – When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report – February 2018 Audit Results Report – July 2018
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – July 2018
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit results report – July 2018
Internal controls	• Significant deficiencies in internal controls identified during the audit	Audit results report – July 2018
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2018
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2018

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Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2018
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Planning Report – February 2018 Audit Results Report – July 2018

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. • Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. • Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Concluding on the appropriateness of management's use of the going concern basis of accounting. • Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and • Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 MARCH 2018

Subject Heading:	**BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2017/18**
CLT Lead:	**Debbie Middleton**
Report Author and contact details:	**Debbie Ford** **Pension Fund Manager** **01708432569** **Debbie.ford@onesource.co.uk**
Policy context:	**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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report sets out the work undertaken by the Committee during 2017/18 and the plan of work for the forthcoming three years, attached as **Appendix A**. This will form the basis of the Pension Fund Business Plan.

This is the last year of the current Pensions Committee term of office due to the Local Elections being held in May 2018 and as the work undertaken by the Committee is required to be presented to full Council in March 2108, the Committee's achievements and their continued development will only cover the period to the end of December 2017.

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

RECOMMENDATIONS

That the Committee:

1. Note that in order to meet the Councils democratic report clearance deadlines for the Full Council meeting on the 21 March 2018, the Business Plan/Report of the work of the Committee was agreed by the Chair of this Committee in advance of this Committee meeting. The Committee is therefore recommended to note this report and that it will be referred to the Full Council meeting for consideration.

REPORT DETAIL

1. Background

1.1 Under the old regulation 12 (3) of the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2009, each administrating authority was required to include in its Statement of Investment Principles (SIP) 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.

1.2 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) published on 11 December 2009. This is a guide to the application of the Myners Principles and includes suggested best practices that could be adopted to demonstrate compliance.

1.3 Included within Myners Principle 1: Effective Decision Making suggested best practice was to create a Business Plan and a Training Plan.

1.4 The new Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 has removed the requirement to publish compliance against the six Myners principles but the Committee agreed to still publish and explain compliance against these principles. This was published with the new Investment Strategy Statement in March 2017.

1.5 To meet best practice it is appropriate to continue to prepare a 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 demonstrate compliance against Myners Principles 1: Effective Decision making.

1.6 CIPFA guidance suggests that the Business Plan is submitted to the committee for consideration and should contain:

a) Major milestones & issues to be considered by the Committee
b) Financial estimates – investment and administration of the Fund
c) Appropriate provision for training
d) Key targets & methods of measurement
e) Review level of internal & external resources the committee needs to carry out its functions
f) Recommended actions to put right any deficiencies.

2. Training

2.1 It is important that all the Members of the Committee are adequately trained and briefed to make effective decisions and those members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference of this Committee which are:

a) To consider and agree the investment strategy and statement of investment principles (SIP) (subsequently superseded by the Investment Strategy Statement) for the Pension Fund and subsequently monitor and review performance
b) Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
c) To appoint and review the performance of advisers and investment managers for pension fund investments
d) 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.

2.2 The Pensions Regulator Code of Practice which came into force on 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.

2.3 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.

2.4 A joint training strategy that incorporates Pension Committee member training with LPB members to keep officer time and training costs to a minimum, has been developed and agreed by the Pensions Committee on the 24 November 2015 and the Local Pension Board on the 6 January 2016. The Training Strategy can be found in **Appendix A - Annex C.**

2.5 The Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA's Knowledge and Skills Code of Practice.

2.6 Training and development will be held with regard to the work plan as shown in **Appendix A - Annex B**. The training undertaken can be seen within **Appendix A - Annex D**

2.7. There is also a possibility that following the local elections in May 2018 that there could be a change in the Committee membership. In this event the training plan will be resubmitted once the new Committee has been established.

2.8 Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under **Markets in Financial Instrument Directive (MiFID 11).** Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

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

None

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APPENDIX A

Havering

LONDON BOROUGH

HAVERING PENSION FUND

BUSINESS PLAN/REPORT ON THE WORK OF THE PENSIONS COMMITTEE DURING 2017/18

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 is the last year of the current Pensions Committee term of office due to the Local Elections being held in May 2018, therefore the Committee's achievements and ongoing developments will only cover the period 1st April 2017 to 31 December 2017 and outlines:

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

The value of assets held and the financial position of the Havering Pension Fund for 2017/18 is included in 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 44 employers, of which the London Borough of Havering is the largest. The other employers in the Fund are made of up of 38 Scheduled bodies (Academies and Further Education bodies) and 6 Admitted bodies (outsourced contracts). There were six new employers and one cessation during 2017/18.

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

Pension Fund – Funding

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2016/17 based on data as at 31 March 2016. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for the following three years with new rates commencing 1 April 2017.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process, the Fund reviews its funding and investment strategies to ensure that an appropriate contribution plan is in place.

As a measure of monitoring that the funding plan is on track the Fund Actuaries also provided Members with a report to illustrate the estimated development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017 (the mid-way point between valuations)

A comparison of funding levels can be seen below:

Summary

Ongoing funding basis	**31 Mar 2013**	**31 Mar 2016**	**30 Sep 2017**
	£m	**£m**	**£m**
Assets	461	573	687
Liabilities	752	857	990
Surplus/(deficit)	**(292)**	**(284)**	**(303)**
Funding level	61.2%	66.8%	69.4%

The improvement in funding position is mainly due to strong investment performance over the periods.

Pension Fund – Investment Strategy Development & Performance Monitoring

In conjunction with the 2016 Valuation and in line with regulations the Committee developed a new Investment Strategy Statement (ISS) which replaced the Statement of Investment Principles (SIP) from March 2017 and later updated in November 2017.

The current asset allocation targets are shown below and reflect the asset allocation split and targets against individual fund manager benchmarks:

Asset Class	**Target Asset Allocation (ISS Jan 17) %**	**Investment Manager/ product**	**Segregated / pooled**	**Active/ Passive**	**Benchmark and Target**
UK/Global Equity	15.0	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	7.5	SSgA - LGIM (from Nov 17)	Pooled	Passive	FTSE All World Equity Index
	7.5	SSgA - LGIM (from Nov 17)	Pooled	Passive	FTSE RAFI All World 3000 Index
Equities	**30.0**				
Multi Asset Strategy	12.5	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Capital growth at lower risk than equity markets
	15.0	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3 - 5%
	15.0	LCIV Ruffer	Pooled	Active	Absolute Return
Multi-asset	**42.5**				
Property	6.0	UBS	Pooled	Active	IPD All balanced (property) Fund's median +
Infrastructure	2.5	Unallocated			
Real assets	**8.5**				
Gilt/Investment	19.0	Royal London	Segregated	Active	• 50% iBoxx £

Asset Class	Target Asset Allocation (ISS Jan 17) %	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
Bonds					non- Gilt over 10 years • 16.7% FTSE Actuaries UK gilt over 15 years • 33.3% FTSE Actuaries Index- linked over 5 years. Plus 1.25%*
Bonds and Cash	**19.0**				
TOTAL	**100.0**				

*0.75% prior to 1 November 2015

At its meeting in June 2017, the Pensions Committee agreed to adopt a timetable to develop and implement the investment strategy over the medium to long term.

In September 2017 the Pensions Committee appointed a new passive Global Equity Manager and assets were transferred from State Street Global Assets to Legal and General Investment Management (LGIM) in November 2017.

In moving towards the long-term strategy, the initial focus has been on reviewing the bond allocation with the expectation that this be split between index-linked gilts, multi-asset credit and private debt. Work is in progress to make an investment to the Real Asset mandate, a decision is expected in March 2018 followed by movement of funds in the subsequent weeks.

As at December 2017 the total value of assets with the LCIV is £313m which represents 44% of assets under management. The London CIV has a business arrangement with LGIM to deliver the passive global mandate; this can be classified as being within the London CIV so the allocation increases to £417m (58.3%).

UBS, SSgA/LGIM, Ruffer, GMO and Baillie Gifford manage the assets on a pooled basis. Royal London manages the assets on a segregated basis.

The Fund will continue to have ongoing discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with the Department of Communities and Local Government (DCLG) timelines.

The performance of the Fund is measured against a tactical and a strategic benchmark.

The Fund has adopted a strategic benchmark for the whole of the fund of Gilts (All Stocks Index Linked Gilts) + 1.8%. The main factor in meeting the strategic benchmark is market performance.

The Fund has adopted a strategic benchmark for the whole of the fund of Gilts (All Stocks Index Linked Gilts) + 1.8%. The main factor in meeting the strategic benchmark is market performance.

In 2017/18, for the 12 months ending 31 December 17 the overall return on the Fund's investments can be seen in the tables below. For comparison, the performance data as at the same period in 2016/17 is also shown:

Strategic Benchmark - A strategic benchmark has been adopted for the overall Fund of Index Linked Gilts + 1.8% 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. The current shortfall is driven by the historically low level of real interest rates which drive up the value of index linked gilts (and consequently the level of the fund liabilities).

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

	12 Months to 31.12.17	**12 months to 31.12.16**
	%	**%**
Fund	9.9	14.5
Strategic Benchmark	4.1	21.5
*Difference in return	5.6	-5.7

Source: WM Company
Totals may not sum due to geometric basis of calculation and rounding.

Tactical 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.

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

	12 Months to 31.12.17	**12 months to 31.12.16**
	%	**%**
Fund	9.9	14.5
Tactical Benchmark	5.7	12.6
*Difference in return	4.0	1.7

The Fund uses the services of State Street Global Services Performance Services PLC (formerly known as WM Company) to provide comparative statistics on the performance of the Fund for its quarterly monitoring.

Annual performance and comparisons to the Local Authority universe is provided by the Pensions & Investment Research Consultants Limited (PIRC).

The (DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement (ISS) issued September 2016 relaxed the regulatory framework for scheme investments which also included the relaxation on reviewing investment manager performance.

In light of the above guidance, and the monitoring of managers in the London CIV now being carried out by them, the Committee reviewed the current reporting arrangements in June 2017 and agreed that only one fund manager will attend each Committee meeting.

FUND GOVERNANCE STRUCTURE

Day to day management of the Fund is delegated to the Statutory Section 151 Officer. 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) (now called Investment Strategy Statement) 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 therefore the members of the Pensions Committee are as follows:

Conservative Group:
Cllr John Crowder (Chair)
Cllr Melvin Wallace
Cllr Joshua Chapman (from May 2017)

UKIP
Cllr David Johnson (Vice Chair)

Residents Group
Cllr Nic Dodin (up to 22 Nov 17)
Cllr Stephanie Nunn

East Havering Residents' Group
Cllr Clarence Barrett

***Independent Resident Group (from 22 Nov 17)**
Vacant*

Other
Union Members (Non-voting) - John Giles (Unison), Andy Hampshire (GMB)
Admitted/Scheduled Body Representative (voting)

*Due to a Councillor changing political parties an adjustment was made to the political allocation of representatives who sit on the Pensions Committee from 22 November 2017. This resulted in the Residents Group losing one seat (Cllr Nic Dodin) and the Independent Residents Group gaining one seat (currently vacant and will be reviewed after the local elections).

From May 2017 Cllr Joshua Chapman replaced Cllr Jason Frost

Fund Administrator	London Borough of Havering
Actuary	Hymans Robertson
Auditors	Ernst and Young LLP
Performance Measurement	State Street Global Services – Performance Services PLC (formerly WM Company) Pensions & Investment Research Consultants Limited (PIRC)
Custodians	State Street Global Services
Investment Managers	Royal London Asset Management (Investment Bonds) UBS (Property) Ruffer LLP (Multi Asset) (transferred to London CIV 21 June 2016) State Street (Passive UK/Global Equities until 8 November 2017) Legal & General Investment management (from 8 November 2017) Baillie Gifford (Global Equities) (transferred to London CIV 15 February 2016) Baillie Gifford Diversified Growth Fund (Multi Asset) (transferred to London CIV 11 April 2016) GMO Global Real Return (UCITS) from January 2015 London CIV Baillie Gifford Diversified Growth Fund (from 15 February 2015) London CIV Baillie Gifford Global Alpha (from 11 April 2016) London CIV RF Absolute Return (from 21 June 2016)
Investment Advisers	Hymans Robertson LLP
Legal Advisers	London Borough of Havering Legal Services provide legal advice as necessary (specialist advice is procured as necessary)
Section 151 Officer	Debbie Middleton
Pension Fund Accountant	Debbie Ford - Onesource
Pensions Administration Management	Sarah Bryant Director of Exchequer & Transactional Services - Onesource

PENSION COMMITTEE MEETINGS 2017/18

The Committee met a number of times during 2017/18 and **Annex A** sets out the coverage of matters considered, but the key issues that arose in the period are shown below:

Major milestones and key issues considered by the Committee

- **Annual Report**

The Pension Fund Annual Report 31 March 2017 was produced in line with the LGPS (Administration) regulations and agreed.

- **Investment Strategy Statement**

The updated Investment Strategy Statement was approved and agreed to implement changes aiming to meet the long term asset allocation targets.

- **Business Plan**

The Pension Fund Business Plan for 2018/19 was agreed incorporating the work of the Pension Committee members during 2017/18.

- **Reviewed Fund Managers quarterly performance**

- **Fund Manager voting and Engagement Activity**

Noted the review of fund manager voting and engagement and agreed to receive this report annually.

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

- **Noted LGPS guides for Outsourcing and Admissions.**

- **Considered options on the Future of the delivery of the Pensions Administration service**

- **Appointment of new Passive Global Equity manager**

- **Impact of adaptation of implementation of the Markets in Financial Instrument Directive (MiFID 11)**

- **Noted Local Pension Board Annual report for the year ending March 2017**

- **Collective Investment Vehicle (CIV)**

The Committee received updates on the progress of the London CIV.

PENSION COMMITTEE MEETINGS 2018/19 AND ONWARDS

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

- Assessment/Appointment of Real Asset Manager
- Assessment/Appointment of Private Debt Manager
- Interviewing/Appointment of Investment Advisor
- Receive update on Actuary appointment
- ESG policy Development
- London CIV Pooling progression/Continued transfer of assets to the London CIV
- Training and discussion on the Social Responsibility investments impact on existing strategy.
- Continued training and development – induction of new members, where applicable, following May 2018 Local elections
- Finalisation and execution of the investment strategy
- Topical issues discussed as appropriate
- DCLG Investment Regulation changes as applicable

INTERNAL & EXTERNAL RESOURCES

The Pensions Committee is supported by the Administrating Authority's Finance and Administration services (oneSource) 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.

Estimated costs for the forthcoming three years for Administration, Investment Management expenses and Governance & Oversight follow in this report.

Pensions Administration - A review of the Pensions Administration services was undertaken during 2017 which resulted in the administrating authority's services for pension administration being outsourced and awarded to the Local Pensions Partnership (LPP). It was agreed to establish one post (Projects and Contracts Manager) within the Authority to monitor the LPP contract. The service was transferred to LPP on the 1 November 2017 and the Projects and Contracts Manager is now in post.

Accountancy and Investment support - The Onesource Finance service that supports the Pension Fund consists of an establishment of 2 full time equivalent posts.

FINANCIAL ESTIMATES

In June 2014 The Chartered Institute of Public Finance & Accountancy (CIPFA) produced guidance on how to account for Management costs and then updated it in 2015 in order that improvements in cost comparisons can be made across all funds. Management costs are now split between three cost categories as follows:

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

	2016/17 Actual £000's	**2017/18 Estimate £000's**	**2017/18 Projected Outturn**	**2018/19 Estimate £000's**	**2019/20 Estimate £000's**	**2020/21 Estimate £000's**
*Administration & Processing	496	496	444	565	419	421
Other Fees	7	7	8	8	8	8
Other Costs	59	72	27	30	30	30
TOTAL	**562**	**575**	**479**	**603**	**457**	**459**

*** a) Projected outturn reflects cessation of CEP Tax payments**
b) Estimated costs from 2018/19 reflect the costings presented to the Committee in June 2017, and
c) one off hosting costs expected during 2017/18 have slipped to 2018/19, as this function has yet to transfer to LPP

Investment Management expenses
These costs will include any expenses incurred in relation to the management of fund assets.

	2016/17 Actual £000s	2017/18 Estimate £000's	2017/18 Projected Outturn	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
*Fund Manager Fees	2,958	2,958	3,261	3,261	3,261	3,261
Custodian Fees	34	34	20	20	20	20
Performance Measurement services	11	11	11	11	11	11
TOTAL	**3,003**	**3,003**	**3,292**	**3,292**	**3,292**	**3,292**

*** Fees are charged based on fund values, so will increase as the asset value increases**

Governance and Oversight
This category captures all costs that fall outside the above 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.

	2016/17 Actual £000's	2017/18 Estimate £000's	2017/18 Projected Outturn	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Financial Services	142	142	147	147	147	147
Actuarial Fees	83	50	31	50	50	80
Audit Fees	24	21	18	21	21	21
Member training (inc. LPB)	5	10	4	10	10	10
Advisor Fees	42	50	60	50	50	50
CIV/SAB Levy	25	103	103	93	78	48
Local Pension Board	3	5	3	5	5	5
Pensions Committee	36	36	36	36	36	36
TOTAL	**360**	**417**	**402**	**412**	**397**	**397**

OVERALL TOTAL	**3,925**	**3,995**	**4,173**	**4,307**	**4,146**	**4,148**

Please note the following regarding the figures in the above tables

- Management and custody fees are charged according to the fund value; therefore an average figure has been applied for 2018/19 onwards.
- Based on 2017/18 fund and staffing structures.
- Fund Management fees takes no account of fee savings that are expected from joining the London CIV as these are available at this time.

TRAINING AND DEVELOPMENT STRATEGY

The Local Pension Board (LPB) has been in place since 25 March 2015.

The Pensions Regulator Code of Practice which came into force on 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.

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.

A joint training strategy has been developed and was agreed by the Pensions Committee on the 24 November 2015 and presented to the Local Pension Board at its meeting on the 6 January 2016. The Training Strategy can be found in **Annex C.**

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. The Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Code of Practice.

Pension Committee and Board members are expected to achieve a minimum level of training credits and the CIPFA's Knowledge and Skills self-assessment training questionnaire will be used to record credits attained and identify gaps in the knowledge and skills of the members.

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.

Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under **Markets in Financial Instrument Directive (MiFID 11).** Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

PROVISION OF TRAINING

A training budget has been agreed for the provision of training for £10,000 but this will be re-evaluated as appropriate. Training costs will be met from the Pension Fund.

The majority of training and development is cyclical in nature, spanning the four year membership of the committee. Associated training and development will be given when required which will be linked to the Pension Fund meeting cyclical coverage for 2018/19 as shown in **Annex B.**

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. Special pension committee meetings will be arranged from time to time to discuss matters that fall outside of the cyclical meetings.

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 Fund's 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.

Officers within onesource Pensions teams also benefit from sharing of best practice

The London CIV runs periodic seminars to aid Officer and Committee member development.

Training and development took place during 2017/18 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

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

The Pensions Regulator has launched an e-learning programme and this has been made available for members to use.

Training will be targeted as appropriate.

APPENDIX A

PENSIONS COMMITTEE MEETINGS HELD DURING 2017/18		ANNEX A
MONTH	**TOPIC**	**ATTENDED BY**
15 June 2017	• Pension Fund Performance Monitoring for the quarter ending 31 March 2017, received presentations from Multi Asset managers GMO (Global Real Return) • Agreed the Business Plan/Annual Report on the work of the Pensions Committee 2016/17 • Considered the options for the future of the Pensions Administration service • Considered an Independent Review of the Investment Strategy and agreed to progress implementation of Investment Strategy changes	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Steven Kelly (sub for Cllr Wallace) Cllr Phillipa Crowder (sub for Cllr Frost) Cllr Clarence Barrett Cllr Stephanie Nunn Andy Hampshire (GMB union Rep)
6 September 2017 (Special meeting)	• Interview of Passive Global Equity Managers	Cllr John Crowder (chair) Cllr Ray Morgon (sub for Cllr Nunn) Cllr Nic Dodin Cllr Alex Donald (sub for Cllr Barrett)
19 September 2017	• Pension Fund Performance Monitoring for the quarter ending 30 June 2017, received presentations from Ruffer (Multi Asset Manager). • Noted Pension Fund Accounts for the year ending 31 March 2017. • Agreed the Pension Fund Annual Report for the year ending 31 March 2017. • Considered and agreed to become members of the Local Authority Pension Fund Forum (LAPFF) • Considered impact of the implementation of the Markets in Financial Instrument Directive (MiFID 11)	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Melvin Wallace Cllr Joshua Chapman Cllr Clarence Barrett Cllr Stephanie Nunn Cllr Nic Dodin (from 7:25pm)
21 November 2017	• Noted the views of officers on the performance of the Fund's Custodian for the period to September 2017. • Noted the views of officers on the performance of the Fund's Actuary for the period to September 2017. • Noted the views of officers on the performance of the Fund's Investment Advisor for the period to September 2017. • Considered and agreed changes as necessary to the Governance Compliance Statement • Agreed changes to the Investment Strategy Statement	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Joshua Chapman Cllr Melvin Wallace Cllr Clarence Barrett Cllr Stephanie Nunn Cllr Nic Dodin John Giles (UNISON)

APPENDIX A

PENSIONS COMMITTEE MEETINGS HELD DURING 2017/18		ANNEX A
MONTH	**TOPIC**	**ATTENDED BY**
	• Agreed to join National Framework for Actuarial and Investment Advisory Services. • Noted the Employer outsourcing guide for Local Government Pension Scheme Employers • Noted the Havering Pension Fund Employers Admission Policy • Noted results of the Whistle Blowing Annual review • Noted admission of Harrison Catering Services to the pension Fund.	
12 December 2017	• Pension Fund Performance Monitoring for the quarter ending 30 September 2017, received presentations from the London CIV for both the Baillie Gifford Global Alpha Fund and the Diversified Growth Fund. • Noted the Valuation Funding update from 31 March 16 to 30 September 2017. • Noted Responsible Investment - Manager Review • Noted Local Pension Board Annual Report for year ended 31 March 2017 • Noted the legal settlement of a cessation of an employer from the Fund	Cllr John Crowder (chair) Cllr David Johnson (vice chair) Cllr Melvin Wallace Cllr Joshua Chapman Cllr Clarence Barrett Cllr Stephanie Nunn John Giles (UNISON) Andy Hampshire (GMB union Rep)

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

APPENDIX A

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<tr><th colspan="8">INDICATIVE PENSIONS COMMITTEE CYCLICAL MEETINGS AND COVERAGE FINANCIAL YEAR 2018/19
ANNEX B</th></tr>
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<tr><td>Formal Committees with Members</td><td>▪ Overall Monitoring Report on Pension Fund to end of Dec 17:
a) Royal London (Bonds)
▪ Business Plan/Report on the work of the Pensions Committee 2017/18
▪ Audit Plan 2017/18
▪ Investment Advisor Contract Extension</td><td>▪ Overall Monitoring Report on Pension Fund to end of March 18:
a) UBS (Property)
▪ FRC Stewardship Code
▪ Social Responsible Investments and impact</td><td>▪ Pension Fund Accounts 17/18</td><td>▪ Overall Monitoring Report on Pension Fund to end of June 18:
a) Legal & General (Passive Global Equity
▪ Pension Fund Annual Report for 17/18
▪ Admitted Body Monitoring</td><td>▪ Annual review of Custodian
▪ Annual review of Adviser
▪ Annual review of Actuary
▪ Annual review of Fund Managers Voting & Engagement
▪ Review of Governance Policy
▪ Whistleblowing Annual Assessment
▪ Risk Register Review</td><td>▪ Overall Monitoring Report on Pension Fund to end of September 18:
a) GMO (Multi Asset)</td><td>▪ Overall Monitoring Report on Pension Fund to end of December 18:
a) London CIV (Pooling manager)</td></tr>
<tr><td>Training</td><td>Associated Training</td><td>Associated Training</td><td>Associated Training</td><td>Associated Training</td><td>Associated Training</td><td>Associated Training</td><td>Associated Training</td></tr>
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Contents

LGPS Knowledge & Skills Training Strategy

Introduction

This is the Training Strategy for the London Borough of Havering Pension Fund.

It sets out the strategy agreed by the Pension Committee and the Local Pension Board concerning the training and development of the members of the

- Pension Committee (the "Committee Members");
- members of the local pension board (the "Board members") and
- officers of the London Borough of Havering Pension Fund responsible for the management of the Fund (the "Officers").

The Training Strategy is established to aid the Committee Members in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to challenge and act effectively within the decision making responsibility put upon them. A code of practice and a framework of knowledge and skills has been developed by CIPFA which LGPS Funds are expected to sign up to.

The Public Service Pensions Act 2013 also requires London Borough of Havering Council to set up a Local Pension Board. The Act requires the Pensions Regulator to issue a code of practice relating to the requirements of the knowledge and understanding of Board members. Guidance on the knowledge and understanding of Local Pension Boards in the LGPS has also been issued by the Shadow Scheme Advisory Board in January 2015. Although this has not been designated as statutory guidance it should be held as good guidance and should be acknowledged.

The objective of the CIPFA knowledge and skills framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by officers and advisers to the Pension Committee whilst the guidance for local pension boards issued by the Shadow Scheme Advisory Board is to assist the individual Board members in undertaking their role to assist the Scheme Manager (the London Borough of Havering Pension Fund) in the effective governance and administration of the local government pension scheme.

The training desired to achieve the additional knowledge and skills will be contained in the appropriate training plan(s)

Strategy Objectives

The Fund objectives relating to knowledge and skills are to:

- Ensure the pension fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- Ensure the pension fund is effectively governed and administered;
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and are well based and regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Communities and Local Government are met.

To achieve these objectives –

The Committee Members require an understanding of:

- Their responsibilities as an administering authority of a local government pension fund;
- The fundamental requirements relating to pension fund investments;

- The operation and administration of the pension fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of the London Borough of Havering Pension Fund.

Board members are conversant with–

- The Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund
- and have knowledge and understanding of:
- The law relating to pensions; and
- Such other matters as may be prescribed

To assist in achieving these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework and Code of Practice to meet the skill set within that Framework. Attention will also be given to the guidance issued by the Shadow Scheme Advisory Board, the Pensions Regulator and guidance issued by the Secretary of State. So far as is possible, targeted training will also be provided that is timely and directly relevant to the Committee's and Board's activities as set out in the Fund's 3-year business plan. For example, funding training will be given immediately preceding the Committee or Board meeting that discusses the Funding Strategy Statement.

Board members will receive induction training to cover the role of a local pension board and understand the duties and obligations of a LGPS administering authority, including funding and investment matters.

All those with decision making responsibility in relation to LGPS pension matters and Board members will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified; and
- seek to maintain their knowledge.

Application of the training strategy

This Training Strategy will apply to all Committee Members and representatives with a role on the Pension Committee and to all the Board members. Other officers involved in the management and administration of the Fund will have their own sectional and personal training plans and career development objectives.

Purpose of training

The purpose of training is to:

- Equip people with the necessary skills and knowledge to be competent in their role;
- Support effective and robust decision making;
- Provide individuals with integrity;
- Meet the required needs in relation to the Fund's objectives.

Summary

This training strategy:

- Assists in meeting the Fund's objectives;
- Meets the business plan;

- Will assist in achieving delivery of effective governance and management;
- Will equip those responsible with appropriate knowledge and skills;
- Promote ongoing development of the decision makers;
- Lead to demonstrating compliance with the CIPFA Knowledge and Skills Framework;
- Lead to demonstrating with statutory requirements and associated guidance

Meeting the business plan

Timely and relevant

There will be times in the year when different circumstances will require specific training. For example, funding training can be provided just prior to the Committee meeting that discusses the Funding Strategy Statement.

It is vital that training is relevant to any skills gap or business need and training should be delivered in a manner that fits with the business plan.

The training plan will therefore be regularly reviewed to ensure that training will be delivered where necessary to meet immediate needs to fill knowledge gaps.

Delivery of Training

Training resources

Consideration will be given to various training resources available in delivering training to the Committee Members, Board members or officers in order to achieve efficiencies. These may include but are not restricted to:

For Pension Committee and Local Pension Board Members	For Officers
• In-house*	• Desktop / work based training
• Self-improvement and familiarisation with regulations and documents	• Attending courses, seminars and external events
• The Pension Regulator's e-learning programme	• Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI)
• Attending courses, seminars and external events	• Internally developed sessions
• Internally developed training days and pre/post Committee/Board sessions*	• Shared training with other Funds or Frameworks
• Shared training with other Funds or Frameworks*	• Circulated reading material
• Regular updates from officers and/or advisers*	
• Circulated reading material	

*These may be shared training events for Pension Committee and Local Pension Board members

Training Plans

To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The individual
- The general pensions environment
- Coping with change and hot topics

Training Plans will be developed at least on an annual basis, as per the Business Plan. These will be updated as required taking account of the identification of any knowledge gaps, changes in legislation, Fund events (e.g the triennial valuation) and receipt of updated guidance.

Induction Training will be provided for all new officers with pensions responsibilities, members of the Pension Committee and Local Pension Board. This will involve covering the requirements of the Training Strategy alongside guidance and information on the requirements of their roles..

External Events

As information on events becomes available, members will be advised by email.

After attendance at an external event, Committee Members and Board members will be expected to provide verbal feedback at the following Pension Committee/Board meeting covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Board members.

Officers attending external events will be expected to report to their direct line manager with feedback covering the following points:

- Their view on value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to other officers.

On-going development

Maintaining knowledge

In addition to undertaking on-going assessment in order to measure knowledge and skills against the CIPFA requirements and identify knowledge gaps, Officers, Committee Members and Board members are expected to maintain their knowledge of on-going developments and issues through attendance at external events and seminars.

Appropriate attendance at events for representatives of the Pension Committee and Board will be agreed by the appropriate chairman.

If an event occurs and appropriate, members will be advised by email.

The Committee/Board will approve an appropriate level of credits for attendance at an event in relation to the type of event, its content and relevance to knowledge maintenance.

In any event, attendance at events/seminars (which may include some internal training sessions) that are not direct training courses focussed on the CIPFA Knowledge Skills Framework or issued guidance but enhance and improve related on-going and emerging pension knowledge will count as one credit for each session of up to a half day.

Where the Committee/Board members have work related experience or previous knowledge through former membership of a Committee or Board will be able to count this as credits in their own assessment and score accordingly.

There is a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding and hence the training and continued development will span the duration of the role.

Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision is to be made by the Pension Committee in the near future or is subject to review by the Local Pension Board. These will also count as credits in maintaining knowledge.

As a measure of training given or knowledge level officers, Committee Members and Board members are expected to have a minimum level of training credits. These are as follows -

Relevant Group	Knowledge Skills - level of attainment	The expected minimum level of credits over the 4 year term of office
Officers	Own sectional and personal development objectives	Own sectional and personal development objectives
Pension Committee and Local Pension Board Members	32 credits	8 credits

These will be measured and monitored annually by Pension Fund Accountant and reported in the Pension Fund Annual Report. Please see the appendix Knowledge and Skills – self assessment of training needs for basis of scoring.

CIPFA Requirements

CIPFA Knowledge & Skills Framework

In January 2010 CIPFA launched technical guidance for Elected Representatives on Pension Committees and non-executives in the public sector within a knowledge and skills framework. The Framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skill set for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS Funds.

CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

First published in October 2011 and redrafted in July 2013, CIPFA's Code of Practice embeds the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pension Committee of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This Training Strategy formally sets out the arrangements the London Borough of Havering Pension Fund will take in order to comply with the principles of the CIPFA Knowledge and Skills Code of Practice.

Guidance from the Scheme Advisory Board

General Principles

The Shadow Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's code of practice and published in January 2015 guidance in a local government context for administering authorities to support them in establishing their local pension board and this includes a section to enable it to help Board members to meet their knowledge and understanding obligations.

Knowledge and understanding must be considered in the light of the role of a Local Pension Board and the London Borough of Havering will make appropriate training available to assist and support Board members in undertaking their role.

Pension Committee Members

Although the CIPFA knowledge and skills framework complements the code of practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of a Pension Committee. However it will be seen as good practice and governance if members of a Pension Committee use the knowledge and skills requirements set at a similar benchmark as the Local Pension Board.

Degree of Knowledge and Understanding

The role of the Local Pension Board is to assist the administering authority. To fulfil this role, Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or codes of practice.

Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the London Borough of Havering Fund in enough detail to know where they are relevant and where it will apply.

Acquiring, Reviewing and Updating Knowledge and Understanding

Board members should commit sufficient time in their learning and development and be aware their responsibilities immediately they take up their position. London Borough of Havering will therefore provide induction training for all new Board members which will also be available to new Committee Members.

Flexibility

It is recognised that a rigid training plan can frustrate knowledge attainment when it is required for a particular purpose or there is a change in pension's law or new responsibilities are required of Board members. Learning programmes will therefore be flexible to deliver the appropriate level of detail required.

Training records and certification

Progress and achievement

Personalised training plans will be used to document and address any knowledge gaps and update areas of learning where required and assist in the acquisition of new areas of knowledge in the event of change.

Progress and achievement will be certificated at least on an annual basis individually to all Committee Members, Board members and officers. These will detail:

- The current assessment of an individual's acquired knowledge;
- Their progress against achieving the credits from other internal/external training or events; and
- All training courses and events attended by them to date.

Risk

Risk Management

The compliance and delivery of this training strategy is at risk in the event of –

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored by officers within the scope of this training strategy and be reported where appropriate.

Budget

Cost

A training budget will be agreed and costs will be met from the Pension Fund.

PENSIONS COMMITTEE MEMBER TRAINING 2017/18

ANNEX D

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
19 April 2017	DG Publishing " Question Time" – Progress on Pooling	Royal Society of Medicine, 1 Wimpole Street	KSF 1	Free	Cllr Stephanie Nunn
18 September 2017	New Councillor Induction	Town Hall	ALL	Officer Time (1 hour)	Cllr Joshua Chapman
19September 2017	Officers - Pension Fund Accounts 16/17 Briefing covered: - overview of the Pension Fund Accounts	Town Hall – prior to Pensions Committee meeting	KSF 2	Officer Time	Cllr David Johnson (vice chair) (also audit) Cllr Melvin Wallace Cllr Stephanie Nunn Cllr Clarence Barrett (also audit) Cllr Graham Williamson (Audit Cttee) Cllr Viddy Persaud (Audit Cttee)
21 November 2017	Hymans – Actuary- Admissions and TUPE policies	Havering Town Hall	KSF 6	Part of contract	Cllr John Crowder Cllr David Johnson (vice chair) (also audit) (part) Cllr Melvin Wallace Cllr Stephanie Nunn (part)

Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 MARCH 2018

Subject Heading:	**INVESTMENT MANAGEMENT CONSULTANCY SERVICES – EXTENSION TO EXISTING CONTRACT**
CMT Lead:	**Debbie Middleton**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Accountant*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	In line with Regulation 7 of the Management & Investment Regulations 2016, authorities taking proper advice,
Financial summary:	One year extension to cost in the region of £60,000

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report informs the Committee of the decision to extend the investment Adviser contract for a further year until 31 March 2019.

RECOMMENDATIONS

It is recommended that the Committee:

Note the approval of a one year extension of the existing contract for the provision of Investment Advice with Hymans Robertson LLP for the period April 2018 to March 2019.

REPORT DETAIL

1. Background

1. Hymans was appointed to provide Investment Advisory services to the Havering Pension Fund for the period commencing on the 1st April 2012. The contract is to run from 1st April 2012 until 31st March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.

2. The contract has an option to be extended for an additional period of up to two years with written consent of both parties, no later than three months before expiry.

3. At the Pensions Committee held on the 22 November 2016 it was agreed for the contract to be extended for a period of one year in order to make use of the new Investment Management Consultancy National Framework due to be issued during 2017 and to avoid conflict with a number of external priorities expected at the time.

4. It was also envisaged that a joint procurement could be undertaken with our onesource partner Newham and extending the contract for one year would tie in with the Newham's Investment Adviser contract end date.

5. The current extended contract expires on the 31 March 2018 but still has an option to extend for a further 12 months.

5. At Pensions Committee meeting held on the 21 November 2017, members agreed to undertake the procurement of an Investment Adviser for the Pension fund ("the Fund") by joining the National Framework and hold the service provider interviews before the Pensions Committee as part of the further competition process.

6. Following the Committees decision on the 21 November 2017 a procurement process commenced and invitations to tender for the services of Investment Adviser was issued on the 19 January 2018 with a closing date of 23 February 2018.

7. Since the invitations to tender were issued the London CIV published a consultation on 9 February 2018 which aims to clarify the purpose of the London CIV and set out the direction of its future strategy. The consultation closes on the 28 February 2018 and proposes that any new arrangements could be in place by the end of 2018.

8. The consultation follows a governance review undertaken by Wills Towers Watson and indicated a need for the London CIV to change its Governance arrangements and clarify its purpose and future strategy. The LCIV proposed strategy for consultation can be found in another report on this same agenda.

9. In view of the announcement from the London CIV, officers in consultation with the Section 151 officer believed that the best outcome at this time was to defer the procurement of an Investment Advisor until 2019 whilst we await the outcome of the London CIV future strategy and direction consultation. We can then assess whether this impacts on the role that the Investment Adviser may have in supporting our Fund and whether the framework still matches those service needs.

10. **Reasons for deferring procurement at this stage:**

    a. The Investment Adviser has developed a good understanding of the Committee's requirements and there are significant benefits to be had from service continuity at this time. Changing Investment Adviser at this point could be a distraction when the strategic imperative is to ensure that we are monitoring the London CIV and making sure the outcomes of the consultation is in the best interest of the Fund.

    b. Hymans are also currently facilitating progression of the investment Strategy adopted by the Committee during 2017- the Private Debt and Real Assets implementation and completion of other current projects – if we switch Investment Advisers at this stage there is a risk we lose impetus (should Hymans be unsuccessful) thus delaying implementation, returns being compressed and the Fund potentially losing out.

    c. Until the consultation has concluded we don't know what direction or changes will be adopted by the London CIV so it will be difficult to procure services at this point in time. There is a risk that we contract for services that duplicate what the London CIV is doing and if we enter into a minimum five year contract with the Investment Adviser now we might miss out on potential savings.

    d. The Pensions Committee previously agreed that the service provider interviews were to be held before the Pensions Committee as part of the further competition process and were keen to be involved in the evaluation and scoring process, therefore it may be also be appropriate to await the outcome of the local elections in case the results mean a change to the committee membership.

11. The Investment Adviser’s performances was last reviewed in November 2017 with Officers and the Pensions Committee being satisfied that Hymans delivers a good service and have continued confidence in the advice being given.

12. Due to the timescales involved Officers sought agreement from the S151 Officer and Chair of Pensions Committee to defer the procurement and extend the existing contract for a further year until March 2019.

IMPLICATIONS AND RISKS

Financial implications and risks:

The cost of Investment Advisory services from October 2016 to September 2017 was £58,895 (period of review) - (prior review year £32,755).

The cost of the Investment Adviser contract is met from the Pension Fund.

There is the facility to extend the existing Hyman’s contract by one year and still be compliant with Procurement regulations

Legal implications and risks:

As stated in the Report, the existing contract may be extended by written consent of both parties for a period of up to two years, provided notice is given at least three months before the expiry date, which means that there is sufficient time to extend. There are no apparent legal implications if the extension is granted as recommended.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List
None

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 13 MARCH 2018

Subject Heading:	**London CIV – Consultation on Proposed Strategy**
CMT Lead:	**Debbie Middleton**
Report Author and contact details:	***Stephen Wild*** ***Head of Pensions and Treasury*** ***02033733881*** **Stephen.wild@*onesource.co.uk***
Policy context:	In line with Pension Fund's Investment Strategy dated November 2017
Financial summary:	None

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

The Governance Review that was commissioned from Willis Towers Watson (WTW) by the London Authorities (LLAs) and the London CIV (LCIV) highlighted a number of issues and indicated a need for the LCIV to both change its governance arrangements and clarify its purpose and future strategy.

As a result, LCIV have initiated a consultation on its future strategy and aims, including a number of proposals on its governance arrangements and longer term strategy. In this paper I set out observations that have been shaped from the broad consensus achieved at the Society of London Treasurers (SLT), and taking account of the seven principles set out by the Local Government Association (LGA).

The key concern is on the LCIV investment options which are not sufficiently granular to allow this and other Funds to implement their strategic asset allocations. This is contrary to the Government's requirement on asset pools and the LGA's seven principles. As strategic asset allocation is crucial to investment performance these proposals create risk to Havering Council taxpayers and to LGPS pensioners of the Fund.

RECOMMENDATIONS

That the Committee:

1. Note and provide comment on the content of this report.

2. Note the Chairman's response to the LCIV questionnaire on their proposals on its governance arrangements and longer term strategy.

REPORT DETAIL

Background

Details of the LCIV consultation proposals were published on 9 February 2018, set out in **Appendix A** of this report and presented at PSJC meeting held on 29 January 2018. The LCIV consultation proposals included a questionnaire for Funds to complete and return by the 28 February 2018. A copy of Havering's response approved by the Chairman is set out in **Appendix B** of this report. The SLT meets on the 2 March to discuss the proposals. All responses will be discussed at the next PSJC on 14 March 2018 and a decision made on the LCIV proposal at Leaders' on 20 March 2018

The LGPS pooling process is continuing to progress with the government deadline of April 2018 for the formal adoption of pooling fast approaching. This Fund has already made good progress with 57% of its assets already transferred to the LCIV. While the LCIV is continuing to develop its range of investment options and internal resources there is some concern over the operation of aims of the LCIV. The WTW Governance Review of the LCIV highlighted a number of issues and indicated a need for the LCIV to both change its governance arrangements and clarify its purpose.

As a result the LCIV has started a consultation on its future strategy and aims, including a number of proposals on its governance arrangements and longer term strategy.

The LGA Principles

- Government will give more time to LCIV to implement a solution provided a direction of travel is agreed prior to May elections.

- Government is adamant that any solution cannot include manager selection at Fund level.

- Government is equally adamant that any solution must include the ability of funds to choose their asset allocation as they see fit.

- It is not true the role of the LCIV is to restrict choice based on its view of effective investment.

- LGPS pools may offer the ability to arrange segregated mandates for an individual (or groups of) funds – but to qualify for pooled status those mandates must be negotiated and managed by the pool company (including the selection of an relationship with the mandate managers) and the assets lodged with the pool custodian.

- If Funds go for choice then they must both understand and be prepared to meet and justify the extra cost of either a wider range of sub funds and/or ability to invest via segregated mandates.

- Transition to the pool can either be via a movement of segregated mandates from the fund to the pool.

Governance and Client Engagement

The following proposals have been made in relation to governance of LCIV.

Shareholder

- A General Meeting of the LCIV will be held twice a year with all 32 shareholders plus a Chair, managed by the LCIV. The meeting is to inform all shareholders on the performance of the LCIV and allow shareholders to exercise their rights under the Shareholders Agreement.

- A new 12 person Shareholders Committee will be formed by a mix of Treasurers and Members. The committee will meet quarterly, will consult on strategy and allow shareholders to raise issues and concerns with the LCIV Board, Chaired by the Chair of the LCIV.

- The London CIV Board is expanded with the addition of the Chair of the General meeting. A treasurer will be an observer. The Board will continue to take decisions in the interests of all shareholders and seek to consult with shareholders before taking critical decisions.

- The Shareholder Agreement is not altered but continues to set out the responsibilities of the various parties. The arrangements are formalised by Terms of Reference of the General Meeting and Shareholders Committee.

Client

- The IAC becomes a forum to share ideas and consult with LLAs, when appropriate.

- The arrangements with LLAs are formalised via a Service Level Agreement (SLA) and, if appropriate, and Investment Management Agreement (IMA).

The SLT have indicated broad support for the majority of the proposals above, however a number wish to see the treasury representative on the Board given equal status, with full voting rights. A number of concerns were raised in the Governance Review with regards to the balance of the Board, and it was felt that giving funds this greater influence in the decision making process would help to build trust with the LCIV.

On the client proposals, there was support for the proposed use of SLAs as this should make the responsibilities of LCIV and the duties they are performing for the Funds much clearer and allow the LCIV to be directly held to account.

The LCIV proposal also states that the individual Responsible Investment (RI) policies cannot be included. The SLT proposed that an overarching RI policy can be agreed for the LCIV, representing a shared minimum requirement for all the parties. Over and above this, a degree of choice and flexibility should be offered for LCIV to enable Funds to tailor their investments in accordance with their own RI approaches. As set out in the LGA's principles it is not the role of the LCIV to restrict choice based on its view of effective investment, it therefore appears reasonable for the pool to provide a certain degree of choice in this matter. However, in determining the range of options available, they must both understand and be prepared to meet and justify any additional costs.

Investments

This is arguably the most controversial and contentious part of the LCIV proposals. The LCIV sets out three flexible investment mandates as follows;

- **Low Cost**: Passive Equity Funds and a Liability Aware fund.

- **Basic:** Blended Investment Mandates established across asset classes with the LLAs selecting fixed amounts in each according to their Strategic Asset Allocation.

- **Enhanced:** Blended and Low Cost Investment Mandates established with LCIV providing tactical asset allocation as opportunities arise. LLAs will be able to tailor the amount of discretion afforded to the LCIV in their individual IMA.

In all cases, funds will retain responsibility for strategic asset allocation whilst the CIV will have responsibility for manager selection, in line with the Regulations. However, it is suggested that the three options will provide flexibility for funds to choose between retaining responsibility for tactical asset allocation, rebalancing and cash management or delegating these options to the CIV.

Concerns

Given the differing funding levels, cash flow requirements, risk appetites and RI policies across the Funds, it is likely that many Funds will look to retain full strategic and tactical asset allocation responsibilities. For these Funds, the proposal recommends the 'basic' option, for which LCIV proposes blended investment mandates in each core asset class (e.g. Equity, Fixed Income, Real Assets etc.). However, concerns have been raised that simple blended buckets across core asset classes only will not permit funds to make decisions around issues such as geographical restrictions (e.g. limiting Emerging Markets exposure), cash flow requirements (e.g. equity income) and Responsible Investment (RI) approaches (e.g. low carbon, exclusion policies etc).

Additionally, there are concerns that the use of a single, multi-manager 'bucket' for each core asset class is likely to result in the creation of a passive proxy, with active management fees. Funds would prefer to have a range of options available, with varying risk/return profiles and returns net of fees to allow them to make choices tailored to their own targeted risk/return profiles. For example the Havering Fund has multiple objectives on its Fixed Income allocation while the LCIV "Fixed Income blend" would have a single objective.

As such, some funds find it difficult to justify transferring assets to LCIV given that any shortfall in performance will lead to a direct increase in costs for the public purse. It has also been suggested that the CIV's current cost saving and outperformance targets, of 15bps and 35bps respectively, are insufficiently ambitious, as many funds (including the Havering Fund) currently achieve in excess of 50bps weighted outperformance across their portfolio.

Officers of the Havering Fund have significant concerns over the proposed Enhanced Model. It builds on the points above and effectively extends the remit of the LCIV to a form of fiduciary management with discretion of over strategic asset allocation. Although the discretion could be set in the IMA and be in relatively controlled ranges, this seems to move away from the principle of Funds setting their own strategic asset allocation thereby contradicting the Government's requirement as set out in the third principle of the LGA above.

The concerns described above all raise the risk that enforcement of the options set out in LCIV's consultation document will strengthen the case for funds considering procurement outside the CIV, as severely restricted choice for funds could be argued to reduce value for money.

Response

Following discussion, SLT suggests that a fourth mandate option should be proposed to LCIV, to complement the three currently offered. This fourth option would be a 'Moderate' approach, to be offered for funds wishing to retain greater strategic and tactical asset allocation responsibilities to help fulfil their investment strategy. It proposes the same principles as the 'Basic' approach but proposes the use of single manager, rather than blended, sub-funds to allow greater flexibility for funds within the 'core' asset classes. For example, equity sub-funds might include focused options (e.g. Emerging markets, high growth or low growth), or an equity income option for funds with greater cash flow requirements.

Although the range of options available to funds would increase, full responsibility for manager selection would rest with the CIV as per the Regulations. Choice for funds would increase, but these choices would be centred around risk/return profiles and returns net of fees.

The moderate approach could also permit greater flexibility around implementation, as single manager strategies could potentially be delivered 'off-ACS', via the use of segregated mandates held with LCIV's custodian. As per the LGA's principles, these mandates would need to be negotiated and managed by the Pool.

The Havering Fund is involved in a couple of collaborative approaches covering its Real Assets Mandate and Private debt Mandate and this Fund's Consultation response and the SLT have asked that these be leveraged in conjunction with the pool to help increase assets considered as pooled, even if these exist outside the ACS structure.

IMPLICATIONS AND RISKS

Financial implications and risks:

Strategic asset allocation is critical to investment performance. The Committee is required to close the funding gap of the Fund and meet the investment growth targets set by the actuary. The LCIV investment proposals are not sufficiently granular to allow this Fund to implement its strategic asset allocation and this is likely to result in higher LGPS contribution rates at future valuations as a consequence. The LCIV blended investment target at 35bps coupled with 15bp savings is relatively modest and are below the investment outperformance targets of the Fund's existing mandates.

The LCIV proposals further remove control that the Committee have over its investments.

Legal implications and risks:

There are significant and detailed legal obligations covering the duties of the pension trustees. Legal and other professional advice is being taken in respect of material issues so as to ensure that the stakeholder interests are protected to best effect.. The committee and officers are aware of their ongoing need for this advice and are taking appropriate steps to have this support.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List
None

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LONDON CIV

22 January 2018

Dear Leader

Future Direction of the London CIV

The London CIV will be bringing a report on the future direction of the London CIV to the Leaders' meeting in March.

Ahead of that, we thought that it would be useful to write setting out where the CIV is now and the reasons for bringing you a report in March.

The London CIV was formally established two and half years ago. Since then it has secured regulatory approval, established a team of 16 staff and by the end of this year will have brought £14bn of LLAs assets under LCIVs oversight. In the current year, there will be an annualised £6m of savings to the LLAs in management fees as a result of the work of the CIV. This puts the CIV some way ahead of the other pooled funds that are currently being established.

However the wider context has changed radically since London Councils took its decision to establish the CIV. In particular, the Government has decided that pooling should be mandatory across the country and have set an ambitious timetable for this to be progressed. The London CIV was very consciously set up as a voluntary scheme with the decisions on investment lying with the individual LLA pension funds.

In order to respond to this changed context and take stock of progress, a Governance review was undertaken last year jointly by LCIV, the Joint Committee (PSJC) overseeing the work of the CIV, and the LLA Treasurers. Willis Towers Watson was commissioned to lead the review and presented their final report to the Governance Review Steering Group in December.

The Towers Watson report pointed to the need to both clarify the purpose of the CIV and establish new governance arrangements that reflected this purpose. At present, the CIV is reporting to multiple different stakeholders in a complex way with the risk that none of them feel entirely satisfied with their ability to influence it. The report also recommended that the CIV strengthen its capacity to engage with individual LLAs.

The PSJC will consider its response to the report at its meeting on the 31st January. From discussions at the Steering Group, there is a fair degree of agreement on the changes to the governance that need to be made. As part of the discussion the PSJC will also receive a report on the alternative pooling models that have been set up so that we can compare and contrast them with the London model. LCIV have also reflected on what is the most effective approach to investment and engagement with individual LLAs going forward.

Recommendations from this discussion will come to the Leaders' Committee in March.

At the same meeting, the PSJC will have the updated Medium Term Financial Strategy and Budget for next year for the CIV to approve. The numbers put forward in it will be very much in line with the Strategy agreed last year.

LCIV is a start-up and has perhaps inevitably experienced some of the growing pains that go with this. Hugh Grover, who played a vital role in getting LCIV up and running has now stepped down and Mark Hyde-Harrison, a very experienced investment manager is covering the role on an interim basis. We will also be recruiting for a new Chief Investment Officer in the near future. In both cases it makes sense to complete the review work before undertaking this recruitment. The LCIV are confident that we can continue to make good progress.

London was a pioneer in establishing pooled arrangements and is consequently ahead of the rest of the country in this regard and LLA leaders played a key role in creating the LCIV. It makes sense to take stock now on how best to deliver the original vision for the CIV in the light of the wider changes that are happening on local authority pension fund management.

Do please get in touch if you would to have a discussion ahead of the Leaders' Committee meeting in March.

Yours sincerely

Lord Kerslake

Appendix A

LONDON CIV

LCIV Proposed Strategy for Consultation

January 2018

Contents

Introduction

- The Governance Review that was commissioned from Willis Towers Watson by the LLAs and the London CIV was presented at the PSJC in December 2017. The Review and feedback from shareholders indicated a need for the London CIV to change its Governance Arrangements and clarify its purpose and future strategy.

- The London CIV, formally established two and a half years ago, has brought £14bn of LLAs assets under LCIVs oversight. In the current year, there will be an annualised £6m of savings in management fees for LLAs which exceeds the cost of operating the CIV. However, the London CIV recognises that to date, while it has achieved a great deal, its current vision needs to be clearer and it needs to be delivered in a more compelling way for LLAs to achieve their objectives.

- This report aims to initiate a consultation with key stakeholders to clarify the purpose of the London CIV and set out the direction of its future strategy. Although the report proposes a considered vision of how the London CIV should operate, it does not purport to be a fully formed proposal and as such we welcome constructive engagement and feedback.

- A consultation process is therefore key to ensuring that the proposals are appropriate for London. The key steps in the Consultation process are set out on page 7 and it is hoped that this can be concluded by the end of the 1st Quarter 2018. This would then allow the London CIV to start building for the future.

"A Collective Investment Vehicle for London Local Authorities (LLA) Pension Funds which delivers broader investment opportunities and enhanced cost efficiencies than LLAs can achieve individually and overall better risk adjusted performance."

Background

- The review by Willis Towers Watson indicated that the London CIV was in an "invidious" position and urgently needed to refresh its governance arrangements and clarify the mission of the London CIV and its future direction.

- The London CIV was initially set up as a voluntary arrangement and has faced a number of challenges in building a pooling vehicle for LLAs. A number of concerns have been raised:
  - The lack of transparency and communication by the London CIV with LLAs
  - The lack of clarity over future fund launches
  - The time required to launch funds
  - The level of LCIV staff turnover
  - Concerns over the capabilities of LCIV in managing LLA assets
  - The ineffectiveness of the various governance bodies
  - Concerns that real benefits will not be delivered to LLAs

- These concerns need to be addressed by revisiting how the LCIV will operate and engage with LLAs going forward. In particular the Board of the LCIV now wishes to consult on three key areas: **Governance, Client and Investment**:
  - The creation of effective supervisory arrangements to improve the channels of communication between LCIV and LLAs Pooling. – a **Shareholder** perspective
  - The needs of Local Authority Pension Funds to achieve their individual pooling objectives– a **Client** perspective
  - That in operating the Pool investment efficiencies are maximised wherever possible so that the benefits of fee savings and enhanced performance amounting to 50 bp p.a. are realised. – an **Investment** perspective.

- Importantly, the LCIV budget for 2018 remains unchanged as the LCIV Board believes that the changes outlined in this report can be achieved in 2018 within the existing financial framework.

Executive Summary

- The design of the London CIV was intended to provide London Local Authorities (LLAs) with a investment organisation to undertake Voluntary Pooling. Difficulties in executing this vision and the Central Government policy of mandated pooling mean that it is now appropriate to revisit the design of the London CIV.
- The need to clarify the vision and strategic direction of the London CIV has been recognised by both LLAs and the London CIV and there is now an appetite to find an effective and sustainable way forward to deliver Pooling alongside the benefits originally envisaged when the London CIV was established.
- The London CIV wishes to consult with LLAs throughout the first quarter 2018 to develop a sustainable pooling vehicle for London and is proposing the following initial Key Proposals:

Governance – Clearer Roles

In line with the discussions at the December PSJC, the London CIV will;

- Host two General Meetings a year with all shareholders and disband the PSJC under the London Councils framework.
- Form a small consultative shareholder group of 12 Treasurers and Pension Chairs.
- Invite the Chair of the General Meeting onto the Board of the London CIV and a Treasurer as an observer.

Client – More Personalised Engagement

- A general service level agreement with the London CIV will be agreed. This would set out how the London CIV would service and consult with LLAs.
- The London CIV would agree with each LLA individually:
  - The level of investment discretion delegated to the London CIV from three choices of Investment Mandate. This would allow the level of delegation to the London CIV to be personalised for each LLA.
  - A transition plan to agree a match of the strategic asset allocation of each LLA to the London CIV investment offering. The timing of the transition would be agreed to allow LLAs to either be early adopters or late adopters of Pooling.
- A Responsible Investment Policy framework would be proposed by the London CIV and agreed by shareholders.

Investment – Greater Benefits (50bp p.a.)

- Develop blended investment mandates for core asset classes that have a number of managers in each fund.
- Allow LLAs the option to grant investment discretion to the London CIV to gain greater efficiencies.
- Offer Passive Trackers and a Liability Aware Fund as a low cost option.
- Existing funds continue to be managed as normal.

Financial – No Change in Budgets in 2018

Consultation Process

- Governance Review Presented and wider review initiated
  - Governance Steering Committee 11th December
  - PSJC 11th December
  - London CIV Board 13th December
- 1st Consultation Cycle
  - Treasurer's Group 18th Jan
  - PSJC 31st Jan*
- 2nd Consultation Cycle
  - London CIV Board 14th February
  - Treasurer's Group 15th February
- Final Version
  - PSJC 14th March
  - Leaders 20th March*

Indicative Timelines of LCIV Proposal

- Detailed planning has not occurred so timelines are only indicative. However, we would aim to have the new arrangements operating by end 2018.
- Key milestones:
  - Complete consultation in 1st quarter 2018
  - Build out LCIV resources and operations during 2018
  - LCIV develops blended investment funds with first funds launched in 2018.
  - First LLA fully transitioned into LCIV by end 2018.
  - The blended investment funds would be further developed over 2019.
  - The transition of all LLAs to the LCIV could exceed two years as we begin to transition LLAs and expect to improve the pace with experience.

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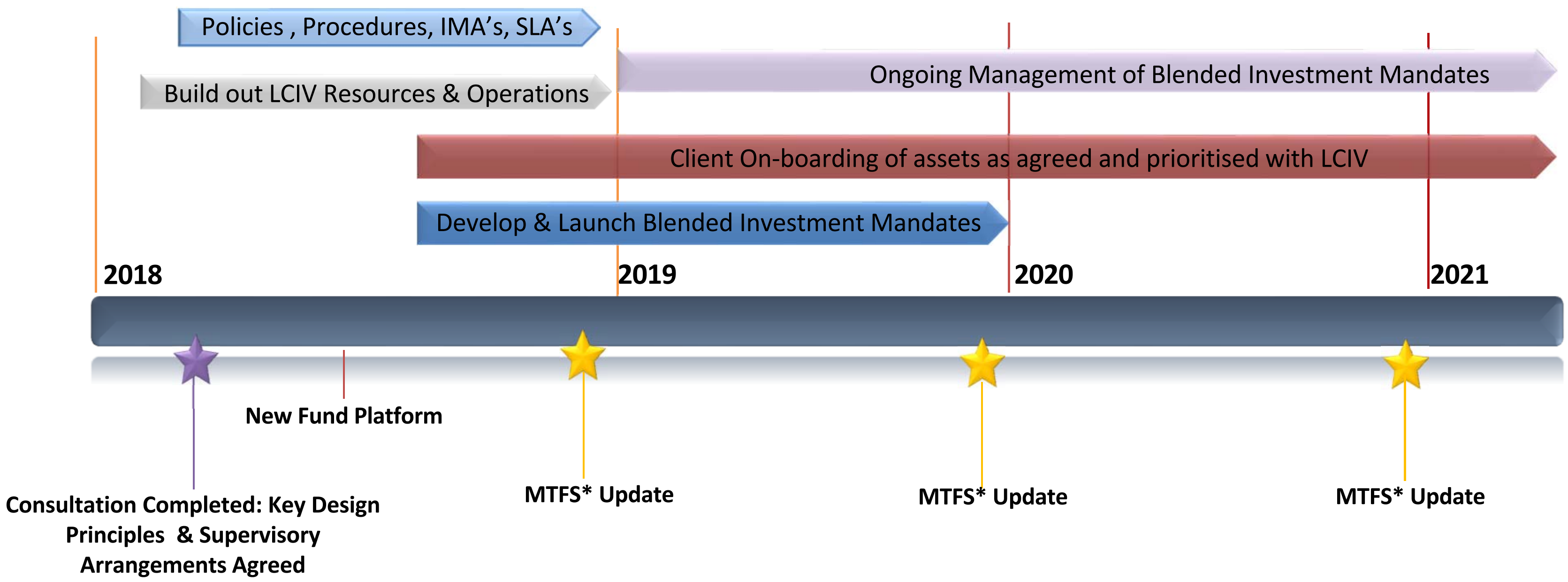


* Medium Term Financial Strategy

Governance

LCIV Governance

Key Governance Proposals

Shareholder

- A General Meeting of the London CIV will be held twice a year with all 32 shareholders plus a Chair, managed by London CIV. The meeting is to inform all shareholders on the performance of the LCIV and allow shareholders to exercise their rights under the Shareholders Agreement.

- A new 12 person Shareholders Committee will be formed of a mix of Treasurers and Members. The committee meets quarterly and will consult on strategy and allow shareholders to share issues and concerns with the LCIV Board. Chaired by the Chair of the LCIV.

- The London CIV Board is expanded with the addition of the Chair of the General Meeting. A treasurer will be an observer. The Board will continue to take decisions in the interests of all shareholders and seek to consult with shareholders before taking critical decisions.

- The Shareholder Agreement is not altered but continues to set out the responsibilities of the various parties. The arrangements are formalised by Terms of Reference of the General Meeting and Shareholders Committee.

Client

- The IAC becomes a forum to share ideas and consult with LLAs, when appropriate.

- The arrangements with LLAs are formalised via a Service Level Agreement (SLA) and, if appropriate, an Investment Management Agreement (IMA).

Proposed Governance Structure of London CIV

Annual General Meeting
32 Members plus a Chair
Meetings every 6 months

Exercise Shareholder powers
Hold Board to account

Shareholders Committee
12 Treasurers & Members
Quarterly Meetings

Consultation on strategy, direction and financial performance, Responsible Investment policy

Shareholder Agreement

Board

Independent Chair
5 NEDs
3 Executive Directors
Chair of AGM
Treasurer (observer)

Seminars, Manager Days Annual Conference

Local Authorities (Clients)

Service Level Agreement

IMA

London LGPS CIV Ltd

Funds

Equity	Fixed Income	Real Assets	Private Equity	Trackers + Liability Aware

Client on boarding, servicing, consultations, strategic asset allocation

Executive Committee

Investment Oversight Committee

Compliance Audit & Risk Committee

Remuneration Committee

Client

Client Engagement

The LCIV has operated to date on the basis that LLAs engagement with the LCIV is voluntary. This led to a client engagement model where the LCIV acts as a procurement vehicle with LLAs expressing their requirements via Working Groups. Central Government has now mandated pooling and we need to find a new engagement model that meets the investment objectives of all LLAs and the fact that LCIV was not formed with a set of common investment beliefs.

Given the wide range of LLAs investment objectives it is proposed that LCIV seeks to develop a personalised approach for each LLA.

- We therefore propose a new client engagement model where roles and responsibilities are clearly defined, and we establish a more formal and professional relationship.
    - A Service Level Agreement will provide clarity of roles and responsibilities, a clear mandate holding LCIV to account and alleviate some of your current responsibilities. LCIV will provide performance reviews, feedback on your investment mandates, and be available for committee meetings as required. Each LLA will have a named client relations director and client service executive for support.
    - If appropriate, an individual Investment Management Agreement (IMA) will be agreed between the LLA Pension Fund and LCIV setting out the level of investment discretion delegated to LCIV.
- LCIV will work closely with each LLA to map their Strategic Asset Allocation to the LCIV funds and determine the type of investment mandate the LLA prefers. A transition plan and the timing of the transition would be agreed to allow LLAs to decide to be either be early or later adopters of pooling.
- To ensure that the LCIV understands the needs of LLAs, we would carry out regular consultations to determine future client requirements.
- The LCIV will not be able to accommodate individual ESG policies for each LLA. Instead it will propose a Responsible Investment Policy that will be laid before Shareholders at an AGM and then, if agreed, this will be binding on all LLAs.

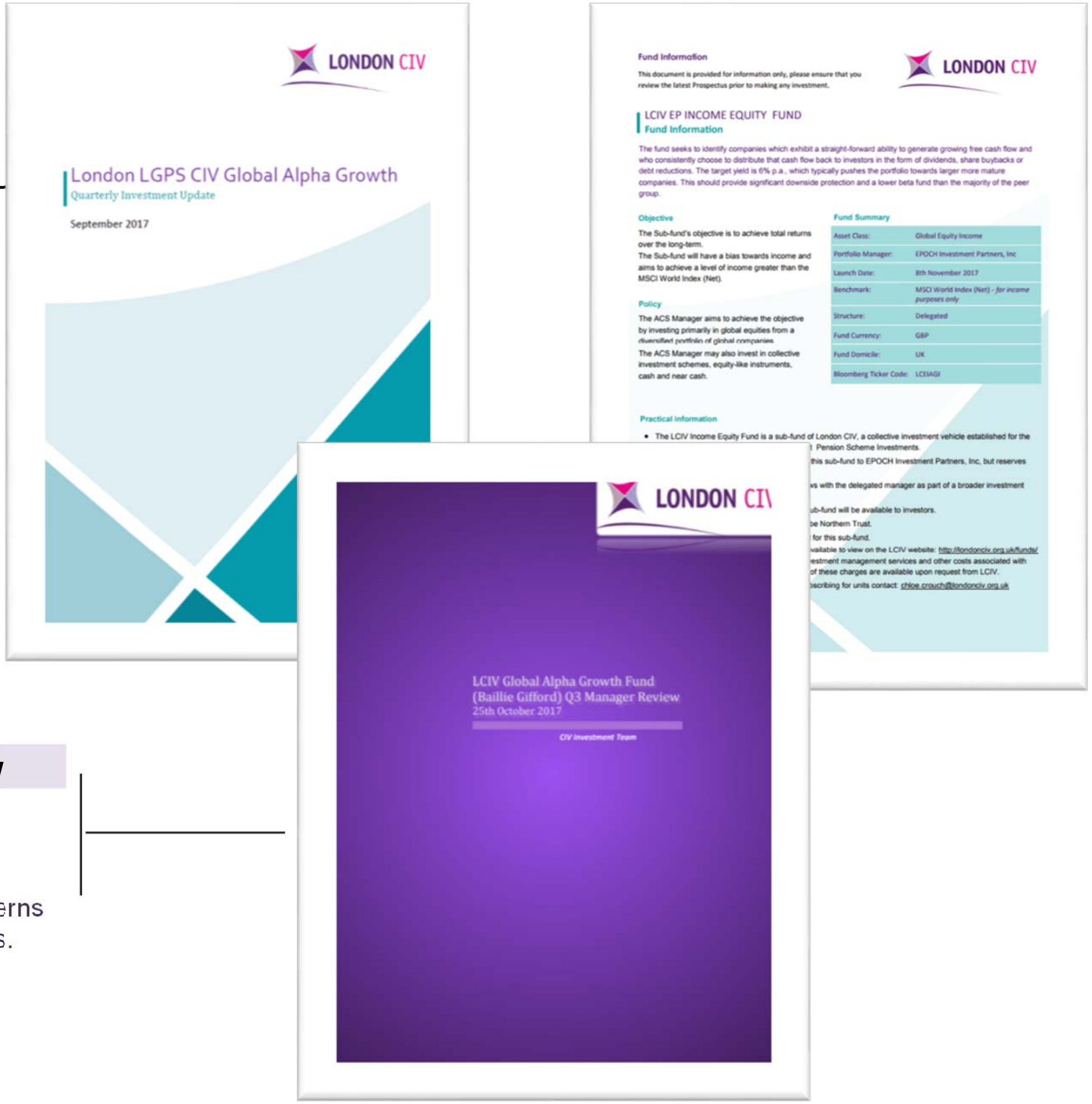
Client Reporting: Sample of Reports

CIV Quarterly Report

- Commentary on your Personalised Investment Mandate via both qualitative and quantitative analysis.

Information Sheet

- Objective
- Policy
- Fund summary
- Practical information
- Key characteristics
- Top 10 Holdings
- Sector & Country Weights



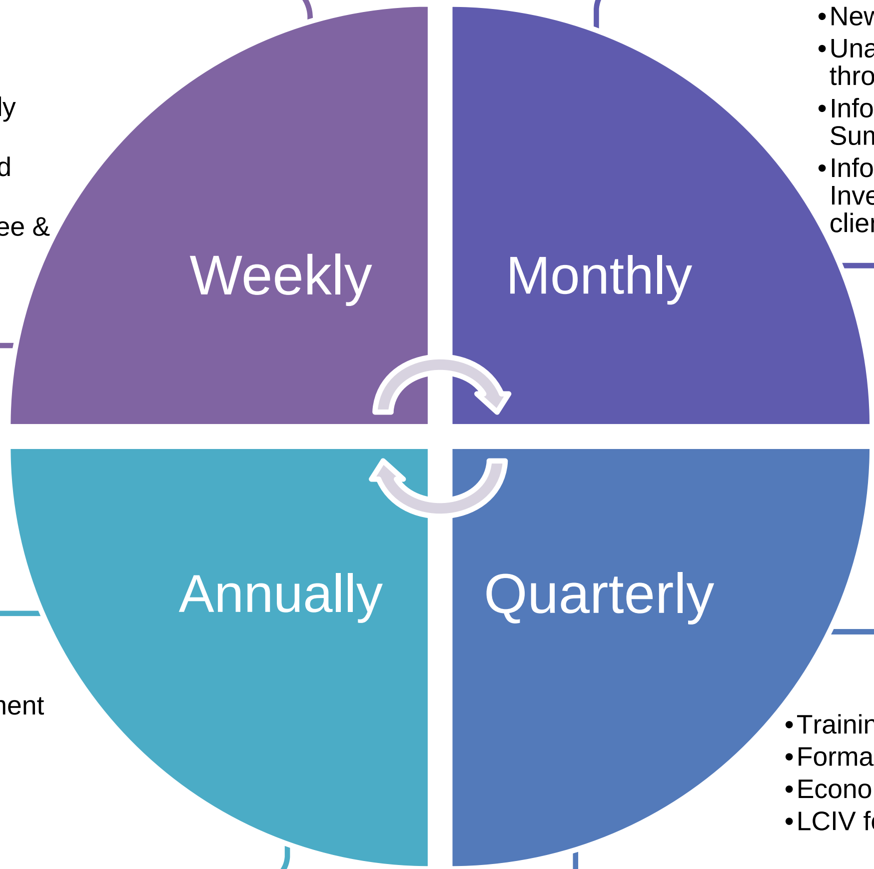
Market Review

- LCIV Investment team review of current market conditions, concerns and opportunities.

Page 101

Client Engagement Model

Named Client Relations Directors and Client Service Executives will be the principal London CIV contacts, who are available to respond to any queries, audits and FOI requests. They are available to attend Pension Committees and ad hoc meetings when required.



Weekly

- Market Information
- Calendar Dates of Events
- LCIV Portal provides daily/weekly prices for each fund
- Responding to queries, audit and FOI requests
- Attendance at Pension Committee & ad-hoc meetings

Monthly

- Newsletter
- Unaudited Fund Valuations available through the client portal
- Informal Investment Report Summary
- Information sheets for each Investment Mandate available on the client portal

Annually

- Shareholder AGM
- Due Diligence Reports on investment managers
- Voting report
- Responsible Investment report
- LCIV Investment Seminar

Quarterly

- Training Days
- Formal Investment Reporting
- Economic Update
- LCIV fees and expenses

On-boarding Model – Client by Client

The diagram below illustrates the on-boarding process for an individual LLA. We anticipate repeating this process 32x, prioritised and planned in consultation with the LLAs as we identify early and later adopters.

LLA provides timeframe

- LLA gives an indication of the likely time frame to transfer assets.
- LLA & LCIV agree prioritisation and dates of asset transfers.

LLA Consultation

- LCIV engages with LLA and maps Strategic Asset Allocation to LCIV Funds to ensure investment objectives are met
- Legacy LLA Assets identified and agreement reached on how managed going forward

IMA agreed LLA & LCIV

- LLA considers type of Investment Mandate given to LCIV
- If discretion given LLA & LCIV enter into an Investment Management Agreement (IMA)

LLA & LCIV SLA

Service Level Agreement (SLA) between LLA & LCIV

- Provides clarity of responsibility
- Clear mandate holding LCIV to account
- Free up responsibilities for LLA

LCIV manages transition

- LCIV manages transition of assets into funds to minimise transaction costs

LCIV manages Assets

- LCIV manages funds in line with Investment Mandate
- LCIV exercises discretion in line with the IMA
- Reports provided to LLAs on a monthly/quarterly basis

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Investment

Investment Overview

The pools approach to investment is critical to the delivery of benefits. The scale of the benefits of pooling were investigated by Central Government and accepted to be significant enough to warrant making pooling mandatory. When discussions where taking place with Leaders to establish the London CIV PwC defined the benefits of pooling for London as an estimated saving of 15bp in fees and 35bp in investment outperformance.

In order to achieve the 50 bp p.a. of benefits it is important that the LCIV is given appropriate discretion in the management of the LLA assets. In particular, it needs discretion to be able to:

- Adapt to new investment approaches as they arise or as regulations change.
- Gain access to the full universe of investment managers.
- Have clarity and certainty over the size of the Investment mandate to negotiate fees.
- Minimise operational drag in implementing Investment decisions.
- Maximise visibility of cash flow so it can be managed efficiently.
- Maximise tax efficiency.
- Ensure efficient transitioning of assets across managers or asset classes.
- Ensure FX hedging efficiency.

Investment– Current Issues

- The current Investment model that was adopted is predominantly a **procurement platform**, with each LLA asking the London CIV to put a specific strategy or manager on the platform.

- The current investment approach has introduced a number of significant investment constraints:

  - **Access** to managers. It actually reduces access as the volume of money necessary for 32 different LLAs to reach allocation targets will automatically exclude certain investment opportunities and smaller managers.
  - **Inefficient implementation and launch process**. No fund can be launched without sufficient seed money from the LLAs. The lack of first mover advantage has meant that this seed money is often not readily forthcoming. This creates delays and potentially leads to high "opportunity costs".
  - **Liquidity management.** Access to illiquid strategies can often lead to LLAs holding back cash for investment, which creates cash drag.
  - **Rebalancing**. A consistent, efficient rebalancing strategy which accounts for market liquidity is currently not available via the London CIV. This can lead to asset allocations significantly deviating from the strategic levels.
  - **Manager deselection.** The responsibility to decide to terminate a manager is unclear and potentially slow.
  - **Risk** There is no assessment on the risk consequence of adding a new manager to a LLA portfolio, so losing the benefits of recycling reductions in risk to generate greater returns.
  - **Lack of Accountability** of decisions can lead to poor outcomes
  - **Rigidity.** Inflexible fund structuring can exclude investment opportunities.

- Our assessment of the current model indicates that it will not achieve the 50bp p.a. target originally specified.
  - Almost no discretion has been granted to the LCIV to achieve the 35bp improved investment performance.
  - Fee savings should be achievable. Savings to date have been modest, though greater savings are expected in Fixed Income and Real Assets.

Investment Overview - Proposal

The Board proposes giving the LLAs **three flexible investment mandate options** that can deliver the full investment benefits originally specified when the London CIV was formed and would enable LLAs to meet their individual objectives.

The **three investment mandate options** proposed for consultation are;

- **Low Cost**: Passive Equity Funds and a Liability Aware fund.
- **Basic:** Blended Investment Mandates established across asset classes with the LLAs selecting fixed amounts in each according to their Strategic Asset Allocation.
- **Enhanced:** Blended and Low Cost Investment Mandates established with LCIV providing tactical asset allocation as opportunities arise. LLAs will be able to tailor the amount of discretion afforded to the LCIV in their individual IMA.

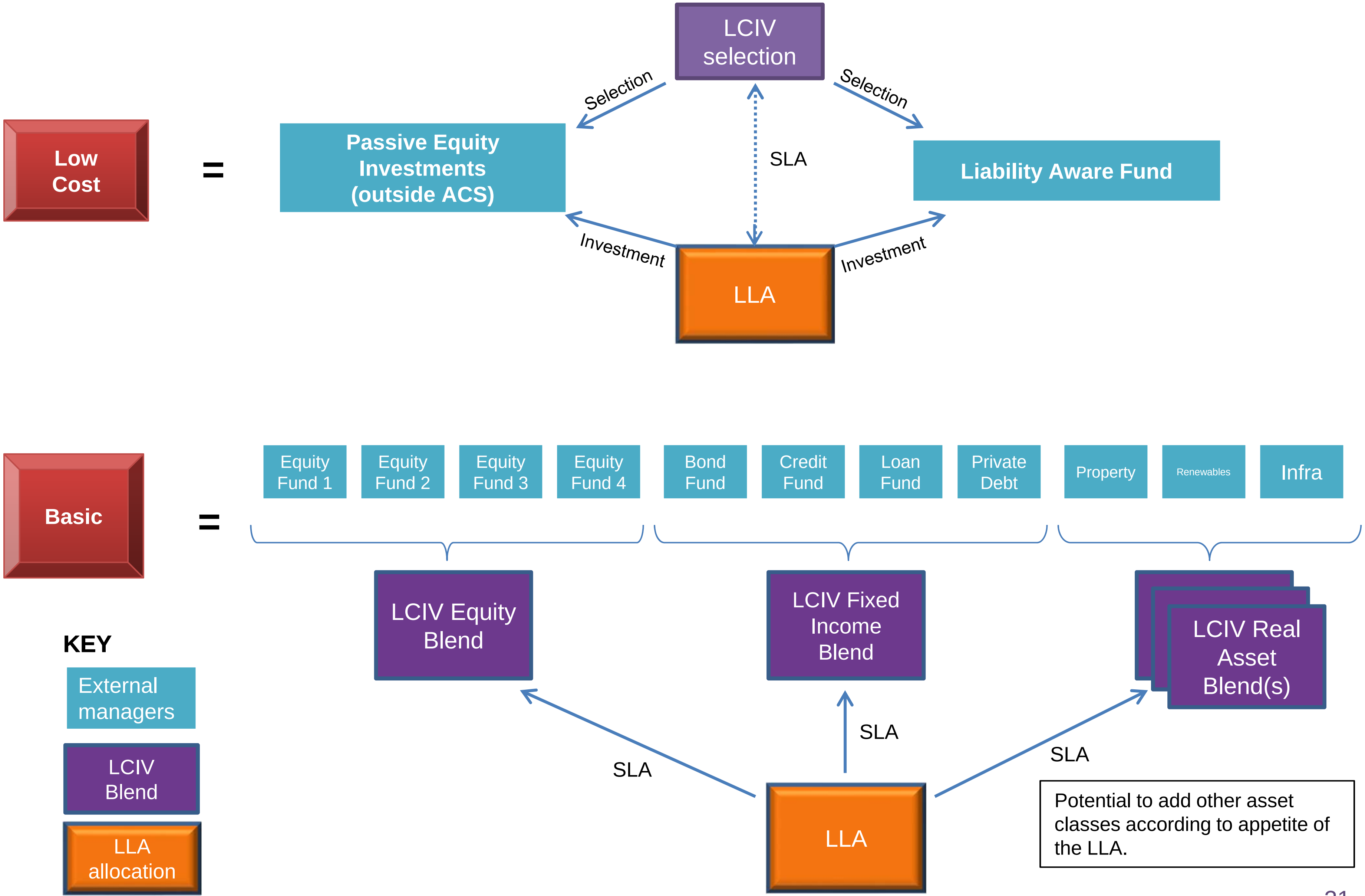
Each LLA can choose which option they feel is most suitable and appropriate for them and this may evolve over time. Every LLA will have a Service Level Agreement (SLA) with LCIV providing clarity of roles and responsibilities.

Three Investment Mandate Options

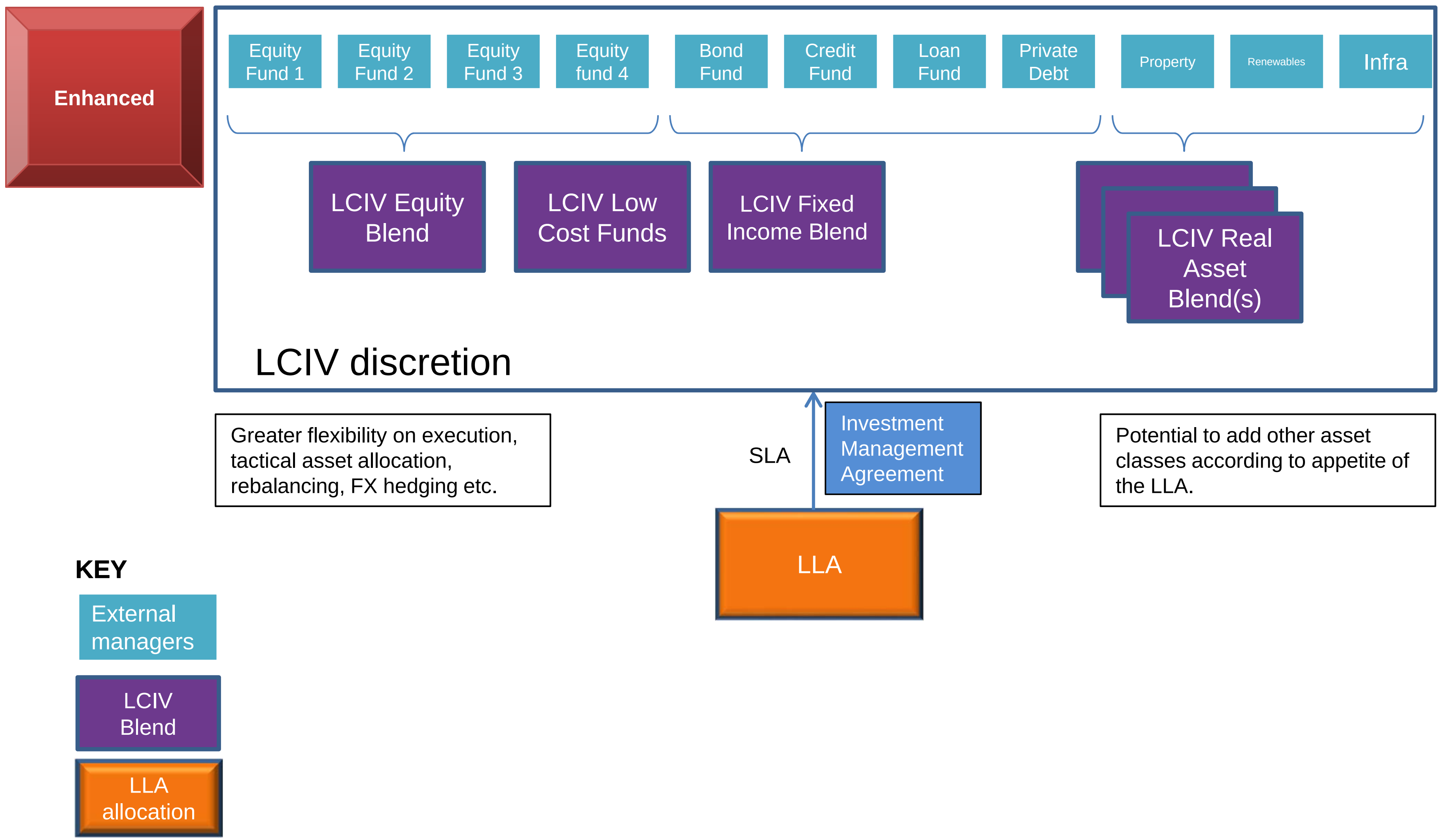
	LLA Responsibilities	LCIV Responsibilities
Low Cost	• LLAs invest in Passives (off-ACS) Equity fund investments • LLAs may select Liability Aware Fund themselves, or ask LCIV to assist • LLAs manage the allocation between Equity and LDI, as well as the rebalancing between them.	• LCIV will ensure that passive funds are suitable and LDI manager is acting appropriately.
Basic	• LLAs retain responsibility for strategic and tactical asset allocation, cash management and rebalancing	• LCIV develops Blended investment mandates in each core asset class (e.g. Equity, Fixed Income, Real Assets etc.) • LCIV responsible for selecting and terminating underlying investment managers

Enhanced	• LLA determines overall Strategic Asset Allocation and defines which other delegations it is comfortable affording the LCIV in an IMA.	• LCIV invests in the LCIV funds as in Basic option.
		• In addition the assets are managed in line with IMA. This might include for example:
		  • Tactical Asset Allocation (within ranges set by LLA)
		  • Rebalancing (frequency and range to be agreed by LLA)
		  • FX hedging
		  • Transition management
		  • Cash Management

Flexible choice: Three Investment Mandate Options



Flexible choice: Three Investment Mandate Options



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Investment Model Options Overview

LONDON CIV

Key

Borough only, if possible

Potentially available, with caveats

Available

Levers	Explanation	Current Model	Low Cost	Basic	Enhanced
Rebalancing	Consistent and efficient rebalancing strategy				
Liquidity	Provision of liquidity to separate accounts and tailored strategies so minimise cash drag.				
Diversification	Well-diversified portfolios, built to fully utilise risk budget.				
Illiquid	Vintage diversification, secondaries, manager access, co-invest opportunities				
Manager termination	Consistent and efficient sell discipline and implementation				
Operational & Administration	Custody fees, implementation efficiency, Audit costs, transition costs, etc.				
Governance	Both in terms of fund manager governance and reporting to the LLAs				
Alpha	Speed of appointment and reallocation				
Probability of reaching 50bp outperformance target (net of LCIV costs).	Made up of 15bps fee savings + 35 bps investment outperformance	**20%** - fee savings largely negated by LCIV fees. Some investment outperformance but insufficient to meet target.	**20%** - cheapest option will lead to fee savings. Investment outperformance entirely dependent on individual LLAs.	**75%** - fee savings and investment outperformance achievable.	**95%** - fee savings and investment outperformance achievable.

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LONDON CIV

APPENDIX B

London Local Authority Response to London CIV Consultation on Strategy

Completed by on behalf of Havering:

Please note our comments are made at this time on the basis of current circumstances and we reserve the right to vary or withdraw our comments which are not full and final in nature

Councillor John Crowder, Chairman of Pensions Committee

Do you believe the Strategy Proposal from the London CIV is:	Yes	No
Broadly appropriate subject to clarifications and further detail	☐	☒
Needs revisions and/or a different direction	☒	☐

Overall Strategy Comments

Overall we are supportive of a clearer vision for the aims and objectives of the LCIV. Havering is one of the leading LLAs for the proportion of AUM that have transferred to the LCIV which demonstrates the commitment that Havering have already made to the LCIV.

We are generally supportive of the more streamlined governance structure subject to improving communication and engagement with Funds. The LCIV board should strictly adhere to good practice on Corporate Governance and set clear KPIs so that they can be held to account accordingly.

However, we do have major concerns over the three investment mandate options proposed. The options are not sufficiently granular to allow funds to implement their strategic asset allocations. It goes beyond what we have seen in other pools and while some provide advice on strategic issues we are not aware of others that have discretionary asset allocation powers. We believe this is particular an area where it would be difficult for LCIV to demonstrate their ability to add value and starts to conflict with the ability of the Fund to determine and set their strategic asset allocation which is a Government core principle. We would favour the fourth option proposed by SLT and broader set of core fund options each with a clear strategic objective.

We believe that these proposals should be delayed until the LCIV has built confidence and trust with all London Boroughs and has a more experienced team in place.

This authority is currently undertaking searches in asset classes not presently available in the LCIV in collaboration with other London LLAs and we would need to see how this will feature in the LCIV investment proposals.

The risks associated with the LCIV investment proposals are too great for Havering taxpayers and pensioners and we need to have greater confidence in the LCIV's ability to deliver our objectives.

Governance

Do you agree with the proposals to: **Yes** **No**

	Yes	No
Have two meetings a year with all shareholders and disband the PSJC under the London Councils framework.	☒	☐
Form a small consultative shareholder group of 12 Treasurers and Pension Chairs.	☒	☐
Invite the Chair of the main Shareholder Group onto the Board of the London CIV and a Treasurer as an observer.	☒	☐

The Chair of the main Shareholder group should be:

	Tick
Political leader	☐
Elected from the Shareholders	☒
Independent	☐

****

The Chair of the Shareholder consultative group should be:

	Tick
The Chair of the shareholder group	☐
The Chair of the London CIV	☒
Elected by all Shareholders	☐

****

The London CIV Board should be expanded by:

	Tick
The Chair of the main shareholder group	☐
A Shareholder nominated by all shareholders	☒

****

	Yes	No
It is proposed that the IAC becomes a forum to share ideas and consult with LLA's, when appropriate. Do you agree? See note below	☐	☐

Additional comments:

The Governance review raised concerns about the balance of the LCIV board and it was felt that giving Funds greater influence in the decision making process would help to build trust with the LCIV. The IAC should be reduced in size and meet on a more formal schedule e.g. every 2-3 months. Effective work with both Treasurers and Pension Managers is key to restoring trust in the LCIV and the IAC could be a valuable forum for sharing ideas. The LCIV needs to do more to capitalise on the expertise of that group. The exact nature of this group need to be developed as the Governance review evolves.

APPENDIX B

Client

Do you agree that the relationship between each London Local Authority and the London CIV should be formalised by:

	Yes	No
A service level agreement which would set out how the London CIV would service and consult with LLAs.	☒	☐
A Responsible Investment Policy framework for the London CIV which is proposed by the London CIV and agreed by shareholders (See below)	☒	☐

	50%	66%	75%	Other
This Responsible Investment Policy should be agreed by what % of Shareholders:	☐	☐	☒	☐

****

	Yes	No
Do you believe that the proposed investment approach of the London CIV can fulfil your Strategic Asset Allocation.	☐	☒

****

	Yes	No
Do you agree with the proposal that each LLA would have an individual investment consultation with the London CIV. This would enable LLAs to choose earlier or later pooling.	☒	☐

****

Additional comments:

It is proposed that an overarching RI policy can be agreed for the LCIV, representing a shared minimum requirement for all parties. Over and above this, a degree of choice and flexibility should be offered by LCIV to enable funds to tailor their investments in accordance with their own RI approaches. As set out in the LGA principles, it is not the role of the LCIV to restrict choice based on its view of effective investment; it therefore appears reasonable for the pool to provide a certain degree of choice in this matter.

APPENDIX B

Investment

Which Statement do you believe best represents your view of the London CIV revised strategy:	Tick
The revised strategy proposed by the London CIV of a high quality efficient pool ***will*** improve the Investment returns of my Borough's Pension Fund as it will enable the Pension Committee to clearly delegate manager selection and related investment decisions to the London CIV in a more efficient manner.	☐
The revised strategy of the London CIV ***will not*** improve the investment returns of my Borough's Pension Fund as it will no longer enable the Pension Committee to make tactical asset allocations ~~and manager selections~~.	☒

****

Additional comments:
Although we accept that we will no longer be responsible for manager selection, the inability to make tactical asset allocation decisions remains a significant issue. Simple blended buckets across core asset class will not permit our Fund to make decisions around issues such as geographic restrictions, cash flow requirements and RI. Moreover we are concerned that a single, multi manager 'bucket' for each core class is likely to result in the creation of a passive proxy, with active management fees. Havering would prefer to have a range of options available, with varying risk/return profiles and returns net of fees to allow us to make choices tailored to our own targeted risk/return profiles. We agree that change is needed and that the LCIV needs to take full responsibility for manager hiring/firing, However the LCIV's current cost saving and outperformance targets of 15bps and 35bps respectively, are insufficiently ambitious as we currently achieve in excess of 50bs weighted outperformance across our investment portfolio. At this level we will have difficulty transferring further assets to the LCIV while meeting the actuary's assumption on investment growth and this shortfall in performance will lead to a direct increase in costs to the public purse. We recommend a fourth mandate option to compliment the three currently offered. This fourth option will be offered for Funds wishing to retain greater strategic and tactical asset allocation responsibilities to help fulfil their investment strategy. This could be on the lines suggested by the Society Of London Treasurers. The LCIV should look at how the number of collaborative approaches to investment that already exist between LLAs could be leveraged into the pool to facilitate choice

even if they exist outside the ACS structure.

Any other comments

Please send your response to Chloe Crouch by 28th February 2018

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE	**13 MARCH 2018**
Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED DECEMBER 2017**
CLT Lead:	**Debbie Middleton**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager*** ***01708432569*** ***Debbie.ford@onesource.co.uk***
Policy context:	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 December 2017

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarter to 31 December 2017. The performance information is taken from the quarterly performance reports supplied by each Investment Manager, State Street Global Services Performance Services PLC (formerly known as WM Company) quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the **quarter** to 31 December 2017 was **3.2% (or £22m to £715m).** This represents an outperformance of **0.9%** against the combined tactical benchmark and under performance of **-0.7%** against the strategic benchmark.

The Baillie Gifford Global Equity Fund was the best performer on an absolute basis and GMO on a relative basis over the quarter. All the other funds outperformed their respective benchmarks with the exception of the UBS Triton Fund where performance was impacted by transaction costs.

The overall net return of the Fund's investments for the **year** to 31 December 2017 was **9.9%.** This represents an outperformance of **4.0%** against the combined tactical benchmark and an outperformance of **5.6%** against the annual strategic benchmark - this 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 are set out in paragraphs 1.1 and 1.3 below.

We measure the individual managers' annual return for the new combined tactical benchmark and these results are shown later in the report.

RECOMMENDATIONS

That the Committee:

1) Notes the summary of the performance of the Pension Fund within this report.
2) Considers Hymans performance monitoring report and presentation (Appendix A - Exempt).
3) Receive a presentation from the Fund's Bonds Manager (Royal London) (Appendix B- Exempt).
4) Considers the latest quarterly update from the Chair of the Investment Advisory Committee, LCIV (Appendix C – Exempt).
5) Considers the quarterly reports provided by each investment manager.
6) Notes the analysis of the cash balances (paragraphs 3.2 refers).

REPORT DETAIL

1. Background

1.1 **Strategic Benchmark** - A strategic benchmark has been adopted for the overall Fund of Index Linked Gilts + 1.8% per annum. This is the expected return in excess of the fund's liabilities over the longer term and should lead to an overall improvement in the funding level. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit. The current shortfall is driven by the historically low level of real interest rates which drive up the value of index linked gilts (and consequently the level of the fund liabilities).

1.2 **Tactical 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.

1.3 The objective of the Fund's investment strategy is to deliver a stable long-term investment return in excess of the expected growth in the Fund's liabilities. Whilst mechanisms such as hedging could have served to protect the fund against falling interest rates in the short-term, such strategies are not commonly employed within the LGPS. The Fund has retained investments with Royal London which have offered some resilience to the fluctuations in interest rates, but given the long term nature of the fund, the Fund's investment advisers believe that the 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, lower realised inflation over recent years means that the actual benefit cash flows expected to be paid from the fund will be lower than previously expected although the fund's liabilities remain subject to changes in future inflation expectations.

1.4 Following the results of the 2016 Valuation and in line with regulations the Committee developed a new Investment Strategy Statement (ISS) which replaced the Statement of Investment Principles (SIP). The revised asset allocation targets are shown in the following table and reflect the asset allocation split and targets against their individual fund manager benchmarks:

Table 1: Asset Allocation

Asset Class	Target Asset Allocation (ISS Jan 17)	Investment Manager/ product	Segregated /pooled	Active/ Passive	Benchmark and Target
UK/Global Equity	15.0%	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	7.5%	Legal & General Investment Management (SSgA until Nov 17)	Pooled	Passive	FTSE All World Equity Index
	7.5%	Legal & General Investment Management (SSgA until Nov 17)	Pooled	Passive	FTSE RAFI All World 3000 Index

Asset Class	Target Asset Allocation (ISS Jan 17)	Investment Manager/ product	Segregated /pooled	Active/ Passive	Benchmark and Target
Multi Asset Strategy	12.5%	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Capital growth at lower risk than equity markets
	15.0%	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3 - 5% over a complete market cycle
Absolute Return	15%	LCIV Ruffer	Pooled	Active	Absolute Return
Property	6%	UBS	Pooled	Active	AREF/IPD All balanced property Index Weighted Average
Gilt/ Investment Bonds	19%	Royal London	Segregated	Active	• 50% iBoxx £ non- Gilt over 10 years • 16.7% FTSE Actuaries UK gilt over 15 years • 33.3% FTSE Actuaries Index- linked over 5 years. Plus 1.25%*
Infrastructure	2.5%	No allocation			

*0.75% prior to 1 November 2015

1.5 UBS, SSgA and GMO manage the assets on a pooled basis. Royal London manages the assets on a segregated basis. Both the Baillie Gifford mandates and the Ruffer mandates are managed on a pooled basis and operated via the London Collective Investment Vehicle (LCIV). Performance is monitored by reference to the benchmark and out performance target as shown in the above table. Each manager's individual performance is shown later in this report with a summary of any key information relevant to their performance.

1.6 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).

2. Reporting Arrangements

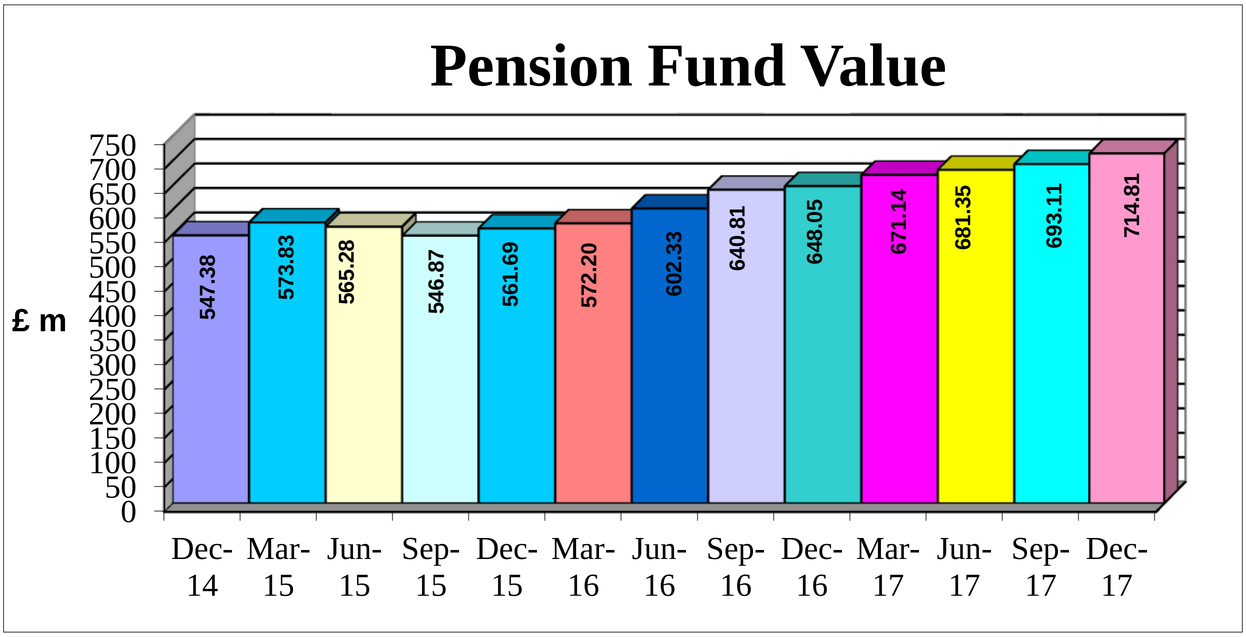
2.1 After reviewing the current reporting arrangements at the last Pensions Committee held on the 15 June 2017 it was agreed that only one fund manager will attend each committee meeting.

2.2 The Fund Manager attending this meeting is the Fund's Bonds Manager (Royal London

2.3 Hyman's performance monitoring report is attached at **Appendix A.**

3 Fund Size

3.1 Based on information supplied by our performance measurers the total combined fund value at the close of business on 31 December 2017 was **£714.81m**. This valuation differs from the basis of valuation used by our Fund Managers and our Investment Advisor in that it excludes accrued income. This compares with a fund value of £693.11m at the 30 September 2017; an **increase** of **£21.70m**. The movement in the fund value is attributable to an increase in assets of £22.39m and a decrease in cash of -£0.69m. The internally managed cash level stands at **£15.90m** of which an analysis follows in this report.



Source: WM Company (Performance Measurers)

3.2 An analysis of the internally managed cash balance of **£15.90m** follows:

Table 2: Cash Analysis

CASH ANALYSIS	**2015/16 31 Mar 16**	**2016/17 31 Mar 17**	**2017/18 31 Dec 17**
	£000's	£000's	£000's
Balance B/F	**-7,599**	**-12,924**	**-12,770**
Benefits Paid	35,048	36,490	27,899
Management costs	1,754	1,358	1,022
Net Transfer Values	518	2,151	117
Employee/Employer Contributions	-42,884	-40,337	-33,343
Cash from/to Managers/Other Adj.	306	586	1,256
Internal Interest	-67	-94	-81
Movement in Year	**-5,325**	**154**	**-3,130**
Balance C/F	**-12,924**	**-12,770**	**-15,900**

3.3 Members agreed the updated cash management policy at its meeting on the 15 December 2015. The policy sets out that the target cash level should be £5m but not fall below the de-minimus amount of £3m or exceed £6m. This policy includes drawing down income from the bond and property manager when required.

3.4 The cash management policy also incorporates a threshold for the maximum amount of cash that the fund should hold and introduced a discretion that allows the Chief Executive (now the Statutory S151 officer) to exceed the threshold to meet unforeseeable volatile unpredictable payments. The excess above the threshold of £6m is being considered as part of the investment strategy review.

4. Performance Figures against Benchmarks

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

Table 3: Quarterly Performance

	Quarter to 31.12.17	**12 Months to 31.12.17**	**3 Years to 31.12.17**	**5 years to 31.12.17**
	%	**%**	**%**	**%**
Fund	3.2	9.9	8.6	10.2
Benchmark	2.3	5.7	6.9	8.3
*Difference in return	0.9	4.0	1.6	1.7

Source: WM Company
Totals may not sum due to geometric basis of calculation and rounding.

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

Table 4: Annual Performance

	Quarter to 31.12.17	**12 Months to 31.12.17**	**3 Years to 31.12.17**	**5 years to 31.12.17**
	%	**%**	**%**	**%**
Fund	3.2	9.9	8.6	10.2
Benchmark	3.9	4.1	9.8	10.4
*Difference in return	-0.7	5.6	-1.1	-0.1

Source: WM Company

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

4.3 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.

Table 5: QUARTERLY PERFORMANCE (AS AT 31 DECEMBER 2017)

Fund Manager	**Return (Performance)**	**Benchmark**	**Performance vs benchmark**	**Target**	**Performance vs Target**
	%	**%**	**%**	**%**	**%**
Royal London	3.48	3.29	**0.19**	3.60	**-0.12**
UBS	2.89	3.10	**-0.03**	n/a	**n/a**
GMO	2.06	0.08	**1.98**	n/a	**n/a**
SSgA Global Equity	n/a	n/a	**n/a**	n/a	**n/a**
SSgA Fundamental Index	n/a	n/a	**n/a**	n/a	**n/a**
LCIV/Ruffer*	2.65	n/a	**n/a**	n/a	**n/a**
LCIV/Baillie Gifford (DGF)*	1.73	n/a	**n/a**	n/a	**n/a**
LCIV/Baillie Gifford (Global Alpha Fund)	4.84	4.83	**0.01**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- Performance data reported as per LCIV for those funds under their management.
- *Not measured against a benchmark
- SSgA transferred to LGIM November 2017. No data for LGIM as not fully invested for the quarter

Table 6: ANNUAL PERFORMANCE (LAST 12 MONTHS)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
	%	%	%	%	%
Royal London	5.99	4.30	**1.69**	5.55	**0.44**
UBS	10.06	10.16	**-0.10**	n/a	**n/a**
GMO	10.45	1.75	**8.69**	n/a	**n/a**
LGIM Global Equity	13.80	13.80	**0.00**	n/a	**n/a**
LGIM Fundamental Index	11.10	11.30	**-0.20**	n/a	**n/a**
LCIV/Ruffer*	1.46	n/a	**n/a**	n/a	**n/a**
LCIV/Baillie Gifford (DGF)*	7.14	n/a	**n/a**	n/a	**n/a**
LCIV/Baillie Gifford (Global Alpha Fund)	22.87	13.76	**9.11**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- Performance data reported as per LCIV for those funds under their management.
- *Not measured against a benchmark.
- SSgA transferred to LGIM November 2017 and performance includes. AS both managers track the same indices, SSgA performance prior to date of transfer has been retained.

4.4 **MiFiD11 update**

The Committee were previously notified of the impact of the Markets in Financial Instrument Directive (MiFID11) at its meeting on the 19 September 2017. Administering Authorities would be reclassified as retail clients from the 3 January 2018 unless elections were made to opt up to professional status. The Havering Pension Fund obtained professional status for all its investment vehicles before the 3 January 2018 deadline. As and when new investment vehicles are procured then further elections to professional status will be required and ongoing reviews will be maintained.

5. Fund Manager Reports

In line with the new reporting cycle, the Committee will only see one Fund Manager at each Committee meeting. Fund Managers brief overviews are included in this section. The full detailed versions of the fund managers' report are distributed electronically prior to this meeting.

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

a) Royal London last met with the Committee on 14 March 2017 which reviewed performance as at 31 December 16 and with officers on the 11 May 2017 which reviewed performance as at 31 March 2017.

b) The value of the fund as at 31 December 2017 has increased by £4.48m since the September quarter.

c) Representatives from Royal London are due to make a presentation at this Committee, and a brief overview of their performance follows.

d) Royal London delivered a net return of 3.48% over the quarter, outperforming the benchmark by 0.19%. The mandate is ahead of the benchmark over the year by 1.69% and 0.63% since inception.

e) Royal London Asset Allocation:

		%
i.	Credit Bonds (corporate)	49.4
ii.	Index Linked Bonds	31.7
iii.	Sterling Government Bonds	11.8
iv.	RL Sterling Extra Yield Bond	5.6
v.	Overseas Bonds	0.2
vi.	Cash	1.4

(Figures subject to Rounding)

f) The main driver of relative performance over the quarter was stock selection, in particular within the Fund’s allocation to secured and structured debt, as well as within financial bonds (banks and insurance), partially offset by the impact of duration

5.2. Property (UBS)

a) UBS last met with the Committee on 14 March 2017 which reviewed performance as at 31 December 2016 and with officers on the 17 August 2016 which reviewed performance as at 30 June 2016.

b) The value of the fund as at 31 December 2017 increased by £1.05m since the September quarter.

c) UBS delivered a net return of 2.32% over the quarter, just slightly underperforming the benchmark by -0.05%. The mandate is ahead of the benchmark over the year by 0.19% and behind by 1.78% over 5 years.

d) UBS Sector weighting:

		%
i.	Industrial	37.9

ii.	Retail warehouse	22.0
iii.	Office	20.1
iv.	Other Commercial Property	12.4
v.	Shopping Centres	4.5
vi.	Unit Shops	3.5

e) Performance was primarily driven by the Fund's industrial properties with the active leasing programmes across the portfolio also contributing to performance but transaction costs impacted returns.

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

a) GMO last met with the Committee on 15 June 2017 which reviewed performance as at 31 March 17 and with officers on the 3 November 2016 which reviewed performance as at 30 September 2016.

b) The value of the fund has increased by £2.19m since the September quarter.

c) GMO have outperformed their benchmark over the 3 month, 12 month and since inception as follows:

Table 7: GMO performance

	3 Months	12 Months	Since inception (13 Jan 2015)
	%	%	%
Net Fund Return	2.06	10.45	2.65
Benchmark (OECD CPIG7)	0.08	1.76	1.37
Relative to Benchmark	1.98	8.69	1.27

- Totals may not sum due to geometric basis of calculation and rounding.
- Investment Advisor reports include outperformance target, the above is the Fund manager benchmark, so benchmark will not match.

d) GMO asset Allocation:

		%
i.	Equities	44.1
ii.	Alternative strategies	16.1
iii.	Fixed Income	18.6
iv.	Cash/Cash Plus	21.3

e) Main performance came from the Equity and Fixed income elements of the portfolio. US equities were the best performer, helped by being overweight in Information Technology and good stock selection in Healthcare and Industrials sectors. High Yield/distressed debt being the best performer in fixed income aided by a position held in a Brazilian telecommunications company

5.4. Passive Equities Manager (SSgA)

a) SSgA last met with the Committee on 13 December 2016 which reviewed performance as at 30 September 2016 and with officers on the 11 May 2017 which reviewed performance as at 31 March 2017.

b) The passive equity mandate is split between the FTSE RAFI All World 3000 index and the FTSE All World Index. Both these mandates were transferred to Legal and General Investment Management (LGIM) during November 2017.

5.5 Passive Equities Manager - Legal & General Investment Management (LGIM)

a) The passive equity mandate totals £103.9m

b) The passive equity mandate is split between the FTSE RAFI All World 3000 index and the FTSE All World Index.

c) As anticipated from an index-tracking mandate LGIM has performed in line with the benchmark since inception.

d) As both SSgA and LGIM track the same indices, historical performance has been retained for this reporting period.

5.6. Multi Asset Manager – London CIV (Ruffer)

a) This mandate transferred to the London CIV on 21 June 2016.

b) The London CIV will now oversee the monitoring and review of performance for this mandate. However Ruffer has stated that they are happy to continue with the existing monitoring arrangements and meet the Committee to report on its own performance.

c) Ruffer last met with officers on the 31 January 2017 which reviewed performance as at 31 December 2016 and last met with the Committee on 19 September 2017 which reviewed performance as at 30 June 2017.

d) The value of the fund has increased by £2.52m since the September quarter.

e) Since inception with the London CIV Ruffer returned 2.65% over the quarter, 1.46% over the year and 13.13% since inception. The mandate is an Absolute Return Fund (measures the gain/loss as percentage of invested capital) and therefore is not measured against a benchmark. Capital preservation is a fundamental philosophy of the Fund.

f) Japanese equities were the main contributor to performance due to encouraging signs of domestic growth and stimulation. Individual stock selections including Foot Locker also added to performance.

g) Options held to protect the fund against a rise in volatility or higher bond yields was the main drag on performance.

5.7. UK Equities - London CIV (Baillie Gifford Global Alpha)

a) This mandate transferred to the London CIV on the 11 April 2016.

b) The London CIV will oversee the monitoring and review of the performance of this mandate and representatives from the London CIV last met with the Committee on the 12 December 2017 which reviewed performance as at 30 September 2017.

c) The value of the Baillie Gifford Global Equities mandate fund increased by £5.91m since the June quarter.

d) Since inception with the London CIV the Global Alpha Fund delivered a return of 4.84% over the quarter, slightly outperforming the benchmark by 0.01%, delivered a return of 22.87% over the year, outperforming the benchmark by 9.11% and since inception with the London CIV the fund returned 54.16% outperforming the benchmark by 11.01%.

e) Naspers was the largest contributor to relative performance during the quarter. CRH led the negative contributors during the period as it saw volumes supressed at its American division due to adverse weather and hurricane activity across the U.S. Ctrip also detracted from performance following its announcement that its mobile application will provide value added services on an opt in basis rather than opt-out.

5.8. Multi Asset Manager – London CIV (Baillie Gifford Diversified Growth Fund)

a) This mandate was transferred to the London CIV on the 15 February 2016.

b) The London CIV will oversee the monitoring and review of the performance of this mandate and representatives from the London CIV last met with the Committee on the 12 December 2017 which reviewed performance as at 30 September 2017.

c) The value of the Baillie Gifford Global Equities mandate fund increased by £1.48m since the September quarter.

d) The Diversified Growth mandate delivered a return of 1.73% over the quarter, 7.10% over the last year and 19.56% since inception with the London CIV. The Sub-fund's objective is to achieve long term capital growth at lower risk than equity markets and therefore is not measured against a benchmark.

e) Main contributor to performance came from the Equity positions which benefitted from the rising global growth and low inflation figures.

5.9 London CIV Update

a) The latest quarterly update from the London CIV is attached (Appendix C).

6. 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.

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:

  Royal London

- 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

None

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of the Local Government Act 1972.

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