

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3B - Town Hall
25 November 2014 (7.30 - 8.05 pm)**

Present:

COUNCILLORS

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

Residents' Group Stephanie Nunn

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Trade Union Observers John Giles (UNISON) and +Chris Pearson (GMB)

Apologies were received for the absence of Councillor John Mylod and +Andy Hampshire (GMB) and Heather Foster-Byron.

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

15 MINUTES OF THE MEETING

The Minutes of the meeting of the Committee held on 23 September, 2014 and of the Special Meeting held on 23 October, 2014 were agreed as correct and signed by the Chairman.

16 REVIEW OF PENSION FUND CUSTODIAN

The Committee were advised that officers had undertaken their annual review of the performance of the Pension Custodian, State Street for the period October 2013 to September 2014. State Street had been appointed Custodian from 31 December 2004 and would undertake the role until terminated by either party.

State Street operate a wide range of functions,. These fall into two main categories:

- Safe Keeping and Custody
- Investment Accounting and Reporting.

- **Safe Keeping and Custody**
This referred to the maintenance of accurate records and certificates of the ownership of stock and ensuring that dividend

income and other distributions were received appropriately. The Custodian also managed the tax position of the fund, claiming back any recoverable overseas withholding tax paid on dividends received and maintaining the tax records of the fund.

- **Investment Accounting and Reporting**

State Street produced accounting reports that were similar to those produced by the fund's investment managers. They kept a record of the book costs and the holdings in the various asset classes and also provided an independent market valuation of the fund. This was done for each of the investment managers' portfolio as well as at the total fund level. State Street records were, therefore, considered to be master records and these records were used for producing the accounts. Reports currently produced by State Street were in a format that could be used by the pension Fund to comply with the International Financial Reporting Standards (IFRS).

Services were reviewed to ensure that the Pension Fund was receiving best value for money and was benefiting from all the services the custodian had to offer and a new fee structure became operational from 1 August 2011.

Officers advised that the receipt of invoices was irregular which was why the cost of the service shown in the report only the period up to 30 June 2014. The other area of concern was that State Street whilst improving the timeliness of their data, could only deliver audited data following the receipt of reports at month end. This did not comply with the Office of National Statistics (ONS) deadlines. This had not caused any problems with the ONS.

The Committee **noted** the report.

17 **REVIEW OF INVESTMENT ADVISOR**

Officers advised the Committee that they had reviewed the performance of the fund's Investment Advisor, Hymans Robertson, covering the period September 2013 to September 2104.

Myner's Principle number 2 clear objectives, recommended that the Pensions Committee, in setting out its overall objective for the Fund, should take proper advice and appoint advisors in open competition. Hymans Robertson had originally been appointed in April 2006 and were re-appointed in December, 2011 and took up the new contract from 1 April, 2012. The contract was to run till 31st March, 2017 unless terminated or extended by the Council in accordance with the contract.

The Committee had adopted the procedure to undertake an annual assessment of the Investment Advisor performance, which was in line with Myner's Principle number 4 on performance measurement.

A set of criteria had been defined as part of the investment advice tender specification and these were outlined below:

- Attendance at Committee Meetings;
- Investment Advice;
 - Setting Investment Strategy
 - Investment Management structure
 - Appointing an investment Manager
 - Monitoring an investment Manager
 - Other responsibilities (advising on statement of investment principles, custody, setting investment guidelines etc.)
- The value they will/could add to the decision making process;
- The level of Pro-Activity expected from the adviser;
- Support arrangements.

In addition within the tender documentation officers had selected other criteria which the advisors should be assessed against, as they were essential in a service such as investment advice. as:

- Communications and advice was clear, timely, accurate, challenging and comprehensive;
- Provision of advice to officers and members included comprehensive options and was encouraged to test the alternatives to decisions being made; and
- A partnership approach to reaching investment decisions.

The Committee **noted** that the officers were satisfied with the service provided by Hymans Robertson and had continued confidence in the advice being given.

18 **WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT**

Officers informed the Committee that since April 2005 when the whistle blowing requirements of the Pensions Act 2004 came into force nearly everyone connected with running a pension scheme, in particular administering authorities and employers had a duty to give a written report as 'soon as reasonably practical' to the Pensions Regulator where they had 'reasonable cause to believe' that there had been a breach of law 'relevant to the administration of the scheme' which was 'likely to be of material significance to the Regulator'.

Since the requirements came into force there had been no reported breaches.

The Committee considered the report and noted that no breaches had been reported, and the advice of legal services that 'The procedures adopted appear robust and as there had been no matters reported there was a low

risk that the whistleblowing provisions had been breached and therefore there were no apparent risks in noting the annual review.

19 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

In accordance with the Local Government Pensions Scheme Regulations (LGPS) 2013, Regulation 55(2), the London Borough of Havering, as an administering authority, had a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

The Committee had considered whether or not to employ the services of an independent professional observer to participate in the governance arrangements. The Committee have **decided against** it on the basis that the current monitoring arrangements were sufficient for the size of the fund.

Officers had advised that under Regulation 55 (1) (d) the Administering Authority was required to prepare a written statement setting out the details of the terms, structure and operational procedures relating to the local pension board established under regulation 53 (4) (Scheme managers). A working party had been established and was currently in the process of planning the creation of a local pension board for the Havering Pension Fund. Regulations stated that the local pension board must be established by no later than the 1 April 2015. Officers would present a report to the Governance Committee on the 11 March 2015 and then the Council meeting on the 25 March 2015 to establish the local pension board. Once this had been completed the Governance Compliance Statement would be further updated to be compliant with this regulation.

The Committee have noted the report.

20 PENSION FUND ANNUAL REPORT - YEAR ENDED 31 MARCH 2014

Each year the Committee were required to produce and publish an Annual Report in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013. Officers had produced the report which contained the following:

- a) Management and Financial Report;
- b) Investment Policy and Performance Report;
- c) Scheme Administration Report;
- d) Actuarial Statement;
- e) Current version of the Governance Compliance Statement;
- f) Fund Account and Net Asset Statement (including Audit opinion);
- g) Levels of performance set out in a Pensions Administration Strategy;
- h) Current version of Funding Strategy Statement;
- i) Current version of Statement of Investment Principles;
- j) Current version of Communication Strategy; and
- k) Any Other Material.

Officers confirmed that the Annual Report had been prepared in line with the latest guidance issued by the Department of Communities and Local Government and having regard to the updated CIPFA/PRAG guidance issued in August 2014.

The Committee:

1. **Agreed** the 2013/14 Pension Fund Annual Report;
2. **Agreed** that the Pension Fund Annual Report should be published electronically; and
3. **Authorised** the Chairman of the Pensions Committee and the Director of Communities and Resources to conclude and sign the annual report.

Chairman