

# **LOCAL PENSION BOARD**

## **ANNUAL REPORT**

**2015/16**



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## **Chair's opening remarks.**

This year saw the introduction of the Local Pensions Board in Havering. It has been a privilege to be part of this and I would like to acknowledge the support and hard work of the council officers involved. Mo Jones, Debbie Ford and James Goodwin have been invaluable in terms of supporting the Board through its inception and as Chair I recognise the amount of work and effort that has been put in to ensure that the Board is not only up and running but also fit for purpose and enabled to deliver its function. It has been a year of learning and focus on planning to ensure the Board delivers on its objective and this is done independently of the London Borough of Havering to ensure the focus is on areas that the Board wishes to focus upon. My thanks also to my colleagues on the Board, who have contributed to the success of this year.

Justin Barrett

Chair of the Local Pensions Board

## **Introduction**

1. Local Pension Boards are constituted entirely under the Public Service Pensions Act 2013 and are not local authority committees.
2. The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.
3. Pension Boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.
4. Scheme regulations (or scheme-specific guidance) may provide further detail on the scope of the pension board and how it should operate, for example how many pension board members need to attend a meeting and how often it should meet.

## **Role of the Local Pension Board**

1. The role of the Local Pension Board, as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to: -
  - Assist the London Borough of Havering Administering Authority as Scheme Manager:-
    - To secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
    - To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    - In such other matters as the LGPS regulations may specify;
  - Secure the effective and efficient governance and administration of the LGPS for the London Borough of Havering Pension Fund;
  - Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
2. The Pension Board will ensure it effectively and efficiently complies with the code of practice of the governance and administration of public service pension schemes issued by the Pension Regulator;
3. The Pension Board will also help ensure that the London Borough of Havering pension Fund is managed and administered effectively and complies with the

code of practice on governance and administration of public service pensions schemes issued by the Pension Regulator;

4. The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively;
5. In support of its core functions the Board may make a request for information to the Pensions Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing;
6. In support of its core functions the Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## **Membership of the Board**

The Board consists of 4 voting members, two representing employers and two representing scheme members.

Board members were appointed for a fixed term of 4 years, which could be extended for further periods subject to re-nomination.

Substitute members were not allowed.

Each Board member should endeavour to attend all Board meetings during the year and are required to attend at least 4 meetings each year, one of which must be the Annual Meeting.

In the event a Board member failed to attend three consecutive meetings, that individual would automatically be disqualified, unless failure was due to some reason approved by the Board before the date of the third consecutive meeting.

Justin Barrett and David Holmes were appointed as Employer representatives and Mark Holder and Marsha Jane Thompson as Scheme Member representatives.

## **Board Meetings**

The Board was established by the London Borough of Havering on 25 March 2015. The first formal meeting took place on the 26 August. It met on three occasions up to the end of the financial year.

Meetings took place on 26 August and 7 October, 2015 and 6 January 2016. A further meeting was held outside of the board meetings on the 21 October 2015 to discuss and agree the development of the work plan for the board.

## **Matters discussed by the Board**

The following matters have been discussed by the Board:

- Appointment of Chair – Justin Barrett was appointed Chair until the first meeting following the Annual Meeting.
- Terms of Reference – The Terms of Reference as revised were agreed and signed by the Chairman on the 26<sup>th</sup> August 2016.
- A draft Work Plan for the year was adopted which included :-
  - Fair Deal and TUPE Transfer;
  - Review of Governance Compliance Statement, training and development strategy and how this is implemented;
  - Tendering Processes for Fund Managers;
  - Pooled Investments;
  - Risk Strategy Review;

- Pensions Administration Strategy and Benchmarking;
  - Early Redundancy Gap – Impact on Pensions; and
  - Rationalisation of member Organisations and Impact on deficit payments.
- The areas of the work plan discussed were:-
    - Fair Deal and TUPE Transfer
    - Review of Governance Compliance Statement, Training and Development Strategy
    - Collective Investment Vehicle
  - Details of the Board's budget was discussed, this included provision for the training of Board members.
  - Pensions Committee Annual Report 2014/15

There have been no conflicts of interest involving any of the work undertaken by the board or during any agenda items.

## **Training**

The board are committed to the legal requirement to acquire the appropriate knowledge and skills and to demonstrate and evidence these legal requirements. To do this the Committee and the Board jointly adopted the CIPFA Knowledge and Skills Framework (KSF) on the 24 November 2015, hence it has adopted a register that shows that the training and development being undertaken is working towards meeting this. The register can be found in Appendix 1.

To summarise:

Whole Board training has been completed on Fair Deal and TUPE, the fundamentals of the Pension Act and role of the Actuary which were delivered by Hymans Robertson the Actuary procured by the London Borough of Havering.

Members have also attended an LGPS Board Seminar that was delivered by the Pensions and Lifetime Savings Association.

Individuals have also completed on-line learning from the Pensions Regulator as well as other self-directed learning which includes reading and e-learning.

All members have undertaken a training needs analysis.

Training has been planned for the future which is detailed in Appendix 2. The shaded areas are for dates following the publication of the annual report.



## LOCAL PENSION BOARD

### FINANCIAL POSITION

Section 106(9) of the Local Government Pension Scheme Governance Regulations 2015 states that the expenses of a Local Pension Board (LPB) are to be regarded as part of the costs of administration of the fund held by the administering authority.

Guidance issued in January 2015 suggested that it was appropriate for the LPB to be given adequate resources to fulfil its task.

Terms of reference adopted by Governance Committee on the 11 March 2015 and then the Council meeting on the 25 March 2015 also states that the LPB is to be provided with adequate resources to fulfil its role.

The estimated budget agreed by the Administering Authority's section 151 officer and costs incurred for 2015/16 are shown in the following table:

Description	2015/16 Estimate £	2015/16 Actual £	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Members Allowance & Travelling	3,000	1,346	3,000	3,000	3,000
Support Services – Internal Recharge	8,000	880	8,000	8,000	8,000
Printing, Stationary & Office Expenses	3,400	3,348	3,400	3,400	3,400
Communication & Computing	500	0	500	500	500
Professional Advice	10,000	0	10,000	10,000	10,000
*Training & Development	10,000	6,038	10,000	10,000	10,000
<b>Total</b>	<b>34,900</b>	<b>11,612</b>	<b>34,900</b>	<b>34,900</b>	<b>34,900</b>

\*Training costs of £10,000 is to be shared with the Pensions Committee to keep officer time and training costs to a minimum. The amounts shown above represent the LPB share of the costs.

Budgets have been set to cover a four year period to reflect the period of term that the LPB appointees will serve

2015/2016 was the first operational year of the LPB and once the spend patterns are established, budgets may be reviewed to reflect changes required. The LPB is

accountable to the Administering Authority and prior approval will need to be sought from the Section 151 officer to amend budgets.

The cost for the LPB is met from the Havering Pension Fund and approved by the Council's Section 151 Officer.

## **The Future**

The work plan agreed for 2015/16 had been a first step to try to identify key matters which needed to be considered. With a number of meetings held we were now in a better place to consider a work plan for 2016/17.

A key area to consider in 2016/17 is Pensions Administration. We were aware that the oneSource finance team were being reorganised and we need to ascertain from the Pension Committee whether or not they were confident that the proposed structure is adequate to meet all the demands placed upon it.

We will seek clarity from the Pensions Committee whether they are happy with the Pension Administration performance in achieving or not achieving its KPI's and whether those measures were the ones which they should be focussing on.

We wish to finalise our review of Fair Deal and TUPE and have a report on how the current changes, i.e. introduction of Multi Academy Trusts and College reorganisation would impact on the Pension Scheme. A national programme of area sector based reviews of the further education sector is underway, the objective of which is to create fewer, more sustainable and more specialised colleges. We understand that under current proposals colleges could merge, not necessarily on geographic location and staff could be transferred from one scheme to another. With regard to risk assessment we would be seeking an assurance that the risk strategy had been updated to meet the current needs with specific reference to the possible threats to Havering.

The Work Plan will be a live document and subject to change as necessary with a particular focus on the development of the CIV and how this will be implemented.

The work plan will be reviewed on 27 January 17 to focus on Code of Practice no. 14 Governance and administration of public service pension schemes published by the Pensions Regulator. The board will seek assurances from Havering officers that the delivery of the scheme is compliant to this code.

## Appendix 1 – Training Record to 31<sup>st</sup> March 2016

Date	Topic	Location	KSF	Cost	Attendee
<b>29 June 2015</b>	<p>Hymans – Fund Actuary delivered training:</p> <p>Why we are here</p> <p>Roles &amp; Responsibilities</p> <p>Knowledge &amp; Skills</p> <p>Brief overview of LGPS</p>	Hyman's Office – One London Wall	KSF 1	£3,500 (shared equally between LBH and Redbridge)	<p>Justin Barrett – Employer rep</p> <p>Mark Holder - Member rep</p> <p>Marshajane Thompson – Member rep</p> <p>David Holmes – Employer Rep</p>
<b>12 Aug 2015</b>	<p>Officers - Local Pension Board Induction covered:</p> <ul style="list-style-type: none"> <li>○ Brief overview of the havering Pension fund</li> <li>○ How the scheme is funded</li> <li>○ Governance Structure</li> <li>○ Key parties in the Fund</li> <li>○ Investment Monitoring</li> <li>○ Strategy documents</li> <li>○ Valuation</li> <li>○ LPB reporting requirements</li> </ul>	Town Hall – Prior to Local Pension Board meeting	KSF 1,2,4, 5 & 6	Officer Time	<p>Mark Holder - Member rep</p> <p>Justin Barrett – Employer rep (chair)</p>
<b>6 Jan 2016</b>	<p>Hymans – Fund's Actuary delivered TUPE Transfer Training, covered:</p> <ul style="list-style-type: none"> <li>• What is TUPE</li> <li>• Pension Protection &amp; Regulations</li> <li>• Admission bodies documents &amp; securities</li> <li>• Cessations</li> </ul>	Town Hall – prior to Local Pension Board meeting	KSF 6	£3,500	<p>Mark Holder - Member rep</p> <p>Justin Barrett – Employer rep (chair)</p>

## Appendix 2 – Training Planned from 1<sup>st</sup> April 2016

Date	Topic	Location	KSF	Cost	Attendee
<b>25 April 2016</b>	Pensions & Lifetime Savings Academy (PLSA) covered: <ul style="list-style-type: none"> <li>• Governance Structure of LGPS</li> <li>• TPR approach to governance &amp; Admin</li> <li>• Purpose &amp; Responsibilities of National &amp; Local Pensions Boards</li> </ul>	PLSA Offices, London	KSF 1	£450.00 + VAT	Mark Holder
<b>15 June 2016</b>	Pensions & Lifetime Savings Academy (PLSA) covered: <ul style="list-style-type: none"> <li>• Governance Structure of LGPS</li> <li>• TPR approach to governance &amp; Admin</li> <li>• Purpose &amp; Responsibilities of National &amp; Local Pensions Boards</li> </ul>	PLSA Offices, London	KSF 1	£900.00 + VAT	Marshajane Thompson Justin Barrett
<b>7 October 2016</b>	Eversheds – LGPS: New Challenges, covered: <ul style="list-style-type: none"> <li>• Update on LGPS Pooling</li> <li>• New Fair Deal update</li> <li>• 2016 Valuations</li> <li>• Legal, Investment &amp; Brexit update</li> </ul>	Eversheds, one Wood Street, London	KSF 1 & 6	£100?	David Holmes
<b>Various</b>	Pensions Regulator Toolkit <ul style="list-style-type: none"> <li>• Conflicts of interest</li> <li>• Maintaining accurate member data</li> <li>• Managing Risks and internal controls</li> <li>• Maintaining member</li> </ul>	online	KSF 1 KSF 2 KSF 1		Mark Holder Mark Holder Mark Holder

Date	Topic	Location	KSF	Cost	Attendee
	contributions		KSF 2		Mark Holder
<b>3 Nov 2017</b>	Association of Colleges	Webinar	?		David Holmes
<b>28 Nov 2016</b>	Pensions & Lifetime Savings Academy (PLSA) covered: Governance Structure of LGPS <ul style="list-style-type: none"> <li>• TPR approach to governance &amp; Admin</li> <li>• Purpose &amp; Responsibilities of National &amp; Local Pensions Boards</li> </ul>	PLSA Offices, London	KSF 1	£450.00 + VAT	David Holmes
<b>28 June 2017</b>	CIPFA & Barnett Waddingham – Local Pension Boards Two years on	Cheapside House, 138 Cheapside, London EC2V		£175	David Holmes Mark Holder
<b>TBA</b>	Joint training with Pensions Committee - Hymans covering valuation results and assumptions	Havering	KSF 6	?	