

PENSIONS COMMITTEE

AGENDA

7.30pm

Tuesday,
13 March 2007

Havering Town Hall,
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group

(4)

Melvin Wallace - (Chairman)

Roger Ramsey - (V.Chairman)

David Charles

Robby Misir

Residents' Group

(2)

Clarence Barrett

Linda van den

Hende

Trade Union observers with no Voting Rights

(2)

Brian Long (Unison)

Michael Parker (TGWU)

For information about the meeting please contact:

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

The Council is committed to protecting the health and safety of everyone who attends meetings of its Committees.

At the beginning of the meeting, there will be an announcement about what you should do if there is an emergency during its course. **For your own safety and that of others at the meeting, please comply with any instructions given to you about evacuation of the building, or any other safety related matters.**

2. MOBILE COMMUNICATIONS DEVICES

Although mobile phones, pagers and other such devices are an essential part of many people's lives, their use during a meeting can be disruptive and a nuisance. Everyone attending is asked therefore to ensure that any device is switched to silent operation or switched off completely.

3. CONDUCT AT THE MEETING

Although members of the public are welcome to attend meetings of the Committee, they have no right to speak at them. Seating for the public is, however, limited and the Council cannot guarantee that everyone who wants to be present in the meeting room can be accommodated. When it is known in advance that there is likely to be particular public interest in an item the Council will endeavour to provide an overspill room in which, by use of television links, members of the public will be able to see and hear most of the proceedings.

The Chairman of the meeting has discretion, however, to invite members of the public to ask questions or to respond to points raised by Members. Those who wish to do that may find it helpful to advise the Committee Officer before the meeting so that the Chairman is aware that someone wishes to ask a question.

PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

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. DECLARATION OF INTERESTS**

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in an item at any time prior to the consideration of the matter.

4. MINUTES OF THE MEETING HELD 19 DECEMBER 2006

To approve as a correct record the minutes of the meeting held on 19 December 2006 and to authorise the Chairman to sign them.

5. ANNUAL REVIEW OF THE PENSION FUND'S COMMUNICATION STRATEGY AND GOVERNANCE POLICY –Report attached**6. PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDING 31 DECEMBER 2006–Report attached****7. ANNUAL PLAN AND TRAINING PROGRAMME 2007/08 –Report attached****8. WHISTEBLOWING REQUIREMENTS OF THE PENSIONS ACT –Report attached**

Stephen Evans
Chief Executive

**MINUTES OF A MEETING OF THE PENSIONS COMMITTEE
Havering Town Hall, Romford**

19 December 2006 (7.30pm – 9.55pm)

Present:

COUNCILLORS:

Conservative Group Melvin Wallace (in the Chair), David Charles, Robby Misir and Roger Ramsey

Residents Group Clarence Barrett
Linda van den Hende

Non - Voting Union Member Brian Long, Unison
Michael Parker, TGWU

Councillors Clarence Barrett & Robby Misir declared a prejudicial interest in relation to the item on Pension Fund Changes 2008, minute no. 29, which was accepted by the Chairman as an urgent item.

The Chairman advised everyone present of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

19. MINUTES

The minutes of the meeting held on 21 September and 5 December 2006 were confirmed as a correct record and signed by the Chairman.

20. PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDING 30 SEPTEMBER 2006

The Committee received a report, presented by Val Burdett-Callan from Psolve, which provided an overview of the performance of the Fund's investments for the quarter ending 30 September 2006.

The information contained within the report was supplied by each of the Investment Managers, the WM Company quarterly performance review report and the Psolve monitoring report.

It was reported that the net return on the Fund's investment for the quarter ending 30 September 2006 was 3.9%. This matched the combined tactical benchmark of 3.9% over the same period and underperformed against the strategic benchmark by 1.6%.

The overall net return of the Fund's investments for the year to 30 September 2006 was 11%. The annual tactical combined benchmark of had been outperformed 0.7% and the annual strategic benchmark had been outperformed by 2.3%.

There were two issues in relation to Westerns' performance that were highlighted. The first were minor alterations to its prospectus, Members were advised that these had been delayed, pending legal advice. The second related to proposals made regarding the introduction of performance related fees. At present it was unclear how Westerns had calculated these and Ms Burdett-Callan advised that this should be clarified by the Council before any changes to the way fees were calculated were agreed.

Each Manager's individual performance and the key information relevant to their performance was then reported to the Committee.

UBS

It was reported that UBS had achieved a net return of 3.7%, this reflected a 0.58% under performance against the benchmark. Over the last year they had under performed the benchmark by -0.99%.

The company envisaged that there was likely to be a significant upside potential in the cyclical recovery of South East office markets and as a result exposure in this area had been increased.

It was reported that they were slightly underweight in retail. This was due to retail conditions being difficult and to address this the retail sub-sector of warehousing had been focussed on.

The property investment market has lost some momentum since the beginning of the year, with returns being largely driven by capital growth.

It was reported that investors had been invited to enter a waiting list for the Triton Fund. Investment advisors had advised against investment in UK property at present, as it was relatively highly priced. They had also advised that any further strategic investment in property should be a decision made as part of a full strategy review, after the 2007 valuation.

There were no governance or whistle blowing issues to report.

Alliance Bernstein

It was reported that Alliance Bernstein had achieved a net return for the quarter of 2.89%. This represented an under performance of -0.56% when compared to the benchmark of 3.47%. They also under

performed against the target by -1.16%, over the year they under performed the target by -1.75%.

The value of the portfolio had increased from £71M in June 2006 to £73M in September 2006.

The positive sources of relative return came from the security selections and the negative sources came from sector and currency selections.

There were no governance or whistle blowing issues to report.

Westerns

It was reported that Westerns had achieved a return for the quarter of 5.97%. This represented an out performance of 1.01% against the benchmark. They had also outperformed the target by 0.29%. Over the last year they had under performed the benchmark by -1.57% and under performed the target by -4.29%.

There were no governance or whistle blowing issues to report.

21. **ANNUAL REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES AND THE FUNDING STRATEGY STATEMENT**

The Interim Pension Fund Accountant presented a report on the annual review of the Statement of Investment Principles (SIP) and the Funding Strategy Statement (FSS) and the changes, which had been identified as a result of the review.

It was resolved:

- i) To note the consultation process
- ii) To note the issues identified as needing to be included and amended in the FSS and SIP documents
- iii) To agree the amended version of the SIP
- iv) To note the Council's position in respect of compliance to the Myner's Principles, which were included within the revised SIP
- v) To agree the amended version of the FSS

22. **2005 – 2006 ANNUAL REPORT FOR THE MEMBERS OF THE PENSION FUND**

The Committee received a report, detailing how it was intended to report information regarding the performance of the Pension Fund over the last financial year, to members of the Pension Scheme.

In response to queries, the Group Director Finance and Commercial advised that it was regarded as good practice to publish a document outlining how Pensions Fund's had performed on an annual basis. However, these differed in style and content and after consulting members of the Pension Scheme, it had been decided that the report should be clear and concise, presenting only key information. In terms of publishing an annual report on the Council's website, it was considered that there would not be enough interest from members of the Pension Scheme to warrant this.

It was resolved:

- i) To approve the 2005 – 2006 Annual Pension Fund report
- ii) That the Annual Pension Fund report should be sent to members of the Pension Scheme with the Annual Benefit Statements

23. NOTICE OF ANNUAL REVIEW OF THE PENSION FUND'S COMMUNICATION AND GOVERNANCE POLICIES

The Committee received a report, which presented the Communication Strategy and Governance Policy for the Pension Fund and explained why an annual review was required and how this would be undertaken.

It was noted that the membership of the Pensions Committee, as listed within Appendix A was incorrect, and should be amended.

The Group Director Finance and Commercial advised that there was not a dedicated telephone helpline to assist Pension Scheme members. However, there was a fixed number within the administration team, where queries from members were directed.

It was resolved:

- i) To note the existing Communication Strategy and Governance Policy
- ii) To note that a review would take place during the forthcoming weeks, the results of which would be reported back to the Pensions Committee in March 2007

24. THE ADMISSION OF KGB CLEANERS TO HAVERING'S PENSION FUND

A report, recommending that eight staff transferring from the Council, to a private contractor, should retain their membership, and right to have membership, of the Local Government Pension Scheme, was considered by the Committee.

The Chairman expressed concern that similar action had been necessary after other staff working at the school had transferred under a TUPE arrangement.

The Head of Exchequer Services advised that if Members were minded to approve the recommendation, KGB Cleaners would be admitted to the Pension Scheme under a 'closed' agreement, whereby only those employees transferring at the time the contract was effective would be admitted to the scheme.

There was a general consensus that a letter should be sent to the school and Local Education Authority, reminding both parties that the Council should be made aware of any changes to contractual arrangements where members of the Pension Fund may be affected.

It was resolved:

That staff who transferred to KGB Cleaners from the Council under TUPE continue membership (or have the right to membership) of the Local Government Pension Scheme (LGPS), subject to the following:

- i) All parties signing up to an Admission Agreement
- ii) An indemnity or insurance bond in an approved form with an authorised insurer or relevant institution, being put into place to protect the pension fund

25. **EARLY TERMINATION OF EMPLOYMENT**

The Committee considered a report, which set out the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and reviewed the Council's discretionary policy on early termination payments where employment is terminated due to; redundancy; or in the interests of the efficient exercise of the employing Authority's functions.

The Head of Exchequer Services advised that as part of the Age Discrimination Act, the regulations in relation to the early termination of employment had been amended. The new regulations introduced the discretionary power to award compensation to Local Authority staff whose employment was terminated early and this power would be backdated to come into force from 1 October 2006.

Although the new regulations had enabled Local Government employers the discretionary power to award employees a one-off lump sum of up to two years pay, they did not allow for the award of a credited period, as under the old regulations.

The Committee were in agreement that there should be a review of the policy in the light of the new regulations and that advice should be given to the Pensions Committee by the ACE Humans Resources

regarding the timetable for implementing any changes to the policy, which were required.

It was resolved:

- i) To note that the Council has to review its current policy on early termination of employment because of changes to the legislation governing such compensation
- ii) That the Council's Policy on Early Termination of Employment be published to effect the following changes from 1 February 2007:
 - For staff aged under 50: payment according to the statutory redundancy entitlement based upon actual earning;
 - For staff aged over 50 who are not in the Local Government Pension Scheme: payment according to the statutory redundancy entitlement based upon actual earnings;
 - For temporary staff: payment according to the statutory redundancy entitlement based upon actual earnings;
 - For staff aged over 50 who are in the Local Government Pension Scheme: payment according to the statutory redundancy entitlement based upon actual earnings and payment of immediate pension benefits. For those receiving immediate pension benefits, the redundancy payment is subject to the current cap of £37,399.71. This cap is to be updated each year in accordance with the NJC pay award; and
 - That staff retired on efficiency grounds who are in the Local Government Pension Scheme and over 50 can be offered payment of immediate pension benefits;
 - That the discretionary award of compensatory added years for employees over 50 in the Local Government Pension Scheme be withdrawn.
- iii) That ACE Human Resources update the Committee on the timetable for implementing the other changes arising from changes to the regulations.

26 REVIEW OF THE ACTUARY

The Committee considered a report outlining the performance of the Actuary over the last calendar year.

The Group Director Finance and Commercial advised that the services provided by the HBW had been fully satisfactory and a good working relationship had been developed with HBW.

It was resolved:

To note the views of officers on the performance of the Actuary.

27. APPOINTMENT OF THE INVESTMENT ADVISER TO THE PENSION FUND

The Committee received a report setting out the process that had been followed for the appointment of an Investment Adviser to the Pension Fund, for the period commencing 1 April 2007 and sought formal approval of the contract with effect from this date.

It was resolved:

To formally award the new contract for the provision of investment advise services to the highest scoring tenderer, as identified in the exempt report, considered later in the agenda. The contract would run from 1 April 2007 until 31 March 2010, unless terminated or extended by the Council in accordance with the terms of the contract.

28. REVIEW OF INVESTMENT ADVISER TO THE PENSION FUND

The Committee considered a report reviewing the performance of the Investment Adviser Psolve, since the last review in December 2005.

It was noted that the contract with Psolve ended on 31 March 2007 and that a special meeting of the Pensions Committee had been held on 5 December in order to consider presentations from tenderers for the new Investment Advisor contract, which would commence on 1 April 2007.

It was resolved:

- i) To note the views of officers on the performance of the Investment Adviser
- ii) To note that the current contract expires on 31 March 2007 and that the re-tendering exercise has been conducted to ensure continuity of service and the achievement of best value
- iii) To note that the decision on the award of the new contract is the subject of a separate report to this Committee

29. URGENT ITEM –PENSION FUND CHANGES 2008

The Chairman agreed to consider the following item under urgency grounds.

The Groups Director Finance and Commercial advised that changes to the Pension Fund had been announced and a statutory consultation excise had now commenced.

It was resolved:

To note the report.

30. **EXCLUSION OF THE PUBLIC**

It was resolved:

That the public should be excluded from the remainder of the meeting on the grounds that it was 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 under paragraphs 8 and 9 of Schedule 12A of the Local Government Act 1972.

31. **APPOINTMENT OF INVESTMENT ADVISER TO THE PENSION FUND**

The Committee awarded the new contract for the provision of Investment Advice Services to the Pension Fund.



MEETING	DATE	ITEM
PENSIONS COMMITTEE	13 March 2007	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE PENSION FUND'S COMMUNICATION STRATEGY AND GOVERNANCE POLICY

SUMMARY

In line with the 1997 Local Government Pension Scheme (LGPS) regulations the London Borough of Havering as an administering authority has undertaken an annual review of the Pension Fund's Communication Strategy and Governance Policy. This report sets out how the review was undertaken and highlights where changes were required.

This report also includes an overview of the draft Administration Regulations issued by the Department of Communities and Local Government (DCLG)

RECOMMENDATION

That the Committee:

1. Note the consultation process for the revised Communication and Governance documents.
2. Consider the issues identified as needing to be included and/or amended in the Communication and Governance documents.
3. Agree the revised version of the Pension Fund's Communication Strategy.
4. Agree the revised version of the Pension Fund's Governance Policy.

5. Agree the authority's approach to the proposals set out in the DCLG's Draft Administration Regulations.
6. Consider whether to provide a response to the Draft Administration Regulations.

REPORT DETAIL

1. Background

- 1.1 The London Borough of Havering as the administering authority for the London Borough of Havering Pension scheme fund has:
 - a) A Communications Strategy - which sets out its communication strategy for communicating with scheme members, including active, deferred and pensioner members, members' representatives, prospective members and employing authorities. The revised version is attached as **Appendix A**.
 - b) A Governance Policy Statement - This covers the whole approach towards governance of Local Government Pension Scheme funds. The revised version is attached as **Appendix B**.
- 1.2 The review process involved:
 - a) Reviewing the documents to ensure that they were fit for purpose and up to date.
 - b) Requesting input from current employers – Sending letters to the current employers of the fund (Admitted/Scheduled Bodies) for comments.
 - c) Taking on board any comments provided by the above as well as discussing with Members any necessary or possible changes at the March 2007 meeting.
- 1.3 No comments were received from employers.

2. Issues identified as requiring amendment or inclusion in the Governance Policy and the Communications Strategy

2.1 Governance Policy

- a) Added the first paragraph to make clear that the Pension Committee has been delegated various function in respect of administration of the pension fund.
- b) Current Membership section - In line with the Council's constitution added the paragraph relating to the encouragement of long membership of the pensions committee.
- c) Diary section – Amended the frequency of meetings from four to five.
- d) In line with the Council's constitution delegation of the day to day management of the fund has been amended from the Head of Financial Services to the Finance and Commercial Group Director.
- e) Accountability and publication of information – In line with existing best practice this section has been added.

2.2 Communication Strategy

There were no significant changes.

3. Draft Administration Regulations (The LGPS (Amendment) (No. 2) Regulations 2007)

- 3.1 These new regulations proposed by the DCLG introduce various measures to improve the administration and governance of the pension scheme and include three new work streams. The documents issued by the DCLG are attached as follows:
- 3.2 **Appendix C** - Covering letter dated 29 January
- 3.3 **Appendix D** - Statutory Instrument (contains regulations)
- 3.4 The three new work streams are:
 - a) **Requirement to publish Governance compliance statement**
This will contain information currently set out in an authority's governance policy statement but must now set out the extent to which delegation of its function to maintain a pension fund complies

with guidance issued by the Secretary of State, or where it does not do so, give reasons for non compliance.

A set of best practice principles will also be issued at a later date by the DCLG, in conjunction with CIPFA.

The first statement is to be published by 1 October 2007.

Our approach - Subject to members' views, the agreement of proposals and the issue of guidance, the compliance statement and any revisions to the governance policy will be presented to the September Committee.

b) Annual Report

To meet the Audit Commission's remarks about the auditing of LGPS pension funds and to stipulate the accounts content for consistency, this regulation would require administering authorities to publish a single report annually containing all the specified items as follows:

- Management & financial performance report
- Investment policy
- Administration report
- Actuary's statement
- Fund account & net asset statement
- Governance policy statement
- Funding Strategy statement
- Statement of Investment principles
- Communication policy statement

The first report is to be published by 1 October 2008. Guidance is to be issued by the DCLG.

Our approach - Subject to members' views, the agreement of proposals and the issue of guidance, a single report will be produced for the 2007/2008 accounts. For the 2006/2007 accounts it is proposed that the policy documents listed above will be provided as attachments to the accounts and will be made available on the intranet in one convenient place.

c) Administration Strategy Documents

The regulations are proposing that administering authorities have the discretion to prepare a Pension Administration Strategy which should contain the administering authority's policies in relation to:

- Liaison & communication with employers
- Performance levels for employers and the administering authority

- Procedures ensuring compliance with statutory requirements
- Procedures for improving the communication of information between the administering authority and its employers
- Circumstances in which written notice may be served on an employer on account of unsatisfactory performance (with a view to recovery of additional costs incurred)
- Publication of annual reports setting out performance against targets and other matters arising from the pension administering strategy.
- Any other matters an authority considers appropriate after consulting with relevant parties.

There is no requirement for an administering authority to prepare a strategy but if it does, the first one must be published by 31 December 2007.

Our approach - The authority is undertaking an assessment as to whether a pension administration strategy document is required and has written to all current employers of the fund (Admitted/Scheduled bodies) seeking their views and will discuss with members their views at this meeting.

- 3.5 The closing date for comments on the consultation ends on the 23rd March 2007 and any amendments agreed will come into force on the 1st May 2007.

Financial Implications and risks:

There are no financial implications or risks arising directly from this report. The review of the Communications and Governance documents will however ensure that the London Borough of Havering as the administering authority is compliant with regulations.

Legal Implications and risks:

Relevant legal implications are addressed within the body of the report.

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

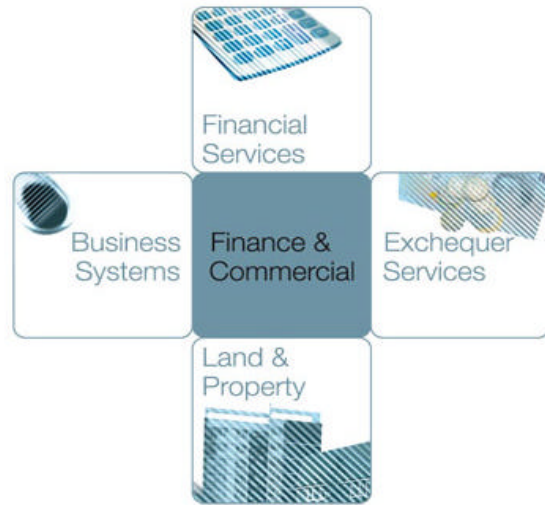
None arising directly

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STEPHEN EVANS
Chief Executive

Background Papers List

March 2006 version of Governance Policy Statement
March 2006 version of Communication Strategy
DCLG's covering letter dated 29 January 2007
DCLG's LGPS (Amendment) (No.2) Regulations 2007



PENSION FUND

COMMUNICATION STRATEGY

(REVISED MARCH 07)

London Borough of Havering

COMMUNICATION STRATEGY

INTRODUCTION

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to its customers.

There are six distinct groups with whom the Fund needs to communicate:

- COMMITTEE MEMBERS
- SCHEME MEMBERS
- PROSPECTIVE SCHEME MEMBERS
- SCHEME EMPLOYERS
- INVESTMENT FUND MANAGERS
- OTHER BODIES

Set out in this document are the mechanisms which are used to meet those communication needs.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

PENSION COMMITTEE MEMBERS

The Fund management and administration decisions have been delegated under the Council's constitution to the Pensions Committee.

Knowledge building and training is provided via the Fund's Officers, advisors and external experts with regards to investment and administration matters

Admitted and Scheduled Bodies who have members in the Fund are invited to the Pensions Committee meetings, as are the Trade Unions who attend all meetings on an observer basis, but whose views are given equal weighting. The Trade Union representatives are also Scheme members.

The work of the Trade Union members is supported by Trade Union representatives.

SCHEME MEMBERS

Internet

The Fund will establish an extensive internet area containing Scheme details, Scheme leaflets etc. There will also be links to other organisations relevant to Scheme members, e.g. employers, AVC providers, employers' organisations etc.

Abridged Report and Accounts

An abridged copy of the Fund's Report and Accounts is circulated to all Scheme members on an annual basis via a pension fund leaflet/booklet.

Annual Newsletter

Newsletters are issued to members of the Fund, at least annually, the contents of which cover current pension topics within

the LGPS, specific issues for Havering and the pensions industry in general.

Benefits Statements

An Annual Benefit Statement is sent direct to the home address of all members who are contributing to the Fund at the previous financial year end.

Benefit Statements are also sent direct to the home address of deferred members where a current address is known.

Scheme Literature

An extensive range of Scheme literature is produced by the Administering Authority and is supplied to employing bodies and Scheme members directly.

Pay Advices

The Fund only issues a pay advice to Scheme pensioners if their net pay varies by more than £1.00. This is utilised as a communication mechanism as well, e.g. Pensions Increase and P60 information is communicated using this medium on an annual basis.

Correspondence

The fund utilises both surface mail and e-mail to receive and send correspondence.

Existence Validation – Pensioners

The Fund undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners.

Telephone Help Line

It is intended to provide a dedicated help line for Scheme members and this will be widely publicised in Scheme literature.

Our Aspirations

A password security system which allows Scheme members to transact a significant proportion of their pensions business without having to enter into formal correspondence.

Pension Roadshow

The Fund stages Pensions Roadshows as and when required to communicate with scheme members on changes to the scheme or promote the scheme or specific aspects of it.

Additionally, Pensions Administration Staff attend Pre-retirement courses run by the Council to provide information to staff nearing retirement.

PROSPECTIVE SCHEME MEMBERS

Scheme Booklet

All new prospective Scheme members will be provided with a Scheme booklet at the time of their appointment to the London Borough of Havering.

Intranet

The Fund's Intranet area will contain specific information for non-joiners. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to "opt out" of the Scheme.

Non Joiner Campaigns

The Fund will request formal notification of non-members from Scheme employers. The information will be used to market the Scheme to specific groups, with dedicated literature and campaigns being formulated in conjunction with Scheme employers from time to time.

Trade Unions

We will work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related

issues are communicated effectively with the Trade Unions.

Pensions Roadshows

As well as being a valuable aid for pensioners and current scheme members, roadshows will be used to target specific non-members with support being enlisted from the DWP and in-house AVC providers. This will ensure members receive the information required to make an informed choice with regards to their pension provision.

Corporate Induction Courses

Fund Officers will attend corporate induction events in order to present to prospective Scheme members the benefits of joining the LGPS. A "one-on-one" surgery will also be offered to take account of individual queries that may be raised at such meetings.

SCHEME EMPLOYERS

Regular Updates

These are issued periodically to all employers. This medium is also used to communicate any issues that are currently under debate. Changes to the Regulations which impact upon the employer's function or their employees are also covered.

Employers' Guide

An Employers Guide is issued to assist the employers in discharging their pension's administration responsibilities. Officers are also available for advice.

This is supplemented by the allocation of a Senior Pensions Officer to non-Havering employers who is available by telephone or personal visit to assist whenever necessary.

Ill-health Retirements

“A Guidance Manual for Approved Doctors” will be circulated to appropriate employers within the Fund. This will be supplemented by organising one to one sessions as appropriate.

Internet

A microsite for employers will be established. All manuals and Scheme literature will be available on this site.

Site Meetings

Meetings with non-Havering Employers take place at their premises. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation changes and triennial valuation matters.

PENSIONS FUND AND ADMINISTRATION STAFF

Service Management Teams

The Fund is managed by Financial Services and administered by Exchequer Services whose Senior Officers report to the relevant Heads of Service

Team Meetings

Office and/or Team Meetings are held on a regular basis.

Group Management Team Meetings – Finance and Commercial.

The Heads of Service are members of the Group’s Management Team and attend the regular meetings convened by the Group Director. The Heads of Service are able to bring any matters of concern/importance to the attention of the Group Director through this mechanism.

Any necessary information arising from the Group’s Management Team Meeting is disseminated within the Services, via Management Team and Team Briefing. Due to the nature of the investment work

and delegation the Pensions Accountant meets with the Group Director, Finance and Commercial frequently.

Issues Meetings

Monthly Issues Meetings take place between the Executive Director for Finance and Commercial and the Pensions Accountant. These meetings review progress being made against annual Service Plans.

Monthly Issues Meetings take place between the Pensions Officer and Account Managers on a one-to-one basis.

Intranet

Service intranets give all staff access and contain such information as procedure manuals, core briefings, LGPC circulars etc. This is an effective mechanism for ensuring that information is available to all staff at their work location in a timely manner.

Induction

All new members of staff undergo an induction procedure and an induction/personnel manual is available to all staff.

The Council has introduced a performance appraisal scheme for staff which includes a process for discussing and reviewing personal development. This is supplemented by regular one to one meetings with all staff.

Internet

Appropriate staff have been enabled to use the corporate network in order to access the internet.

E-mails

All staff have been given access to the e-mail facility.

Pensions Manager

The Pensions Manager maintains an open-door policy and, within reason, make themselves available to all staff on request.

Pension Fund Accountant

On a similar basis responds to staff and other enquiries.

INVESTMENT FUND MANAGERS

Day to day contact between the pension fund accountant and the fund managers is maintained. Each fund manager is required at the end of each quarter to alternatively present their performance to the Pensions Committee or to officers including the Group Director Finance and Commercial, with the exception of the property fund manager who alternatively presents their information on a six monthly cycle.

OTHER BODIES**Trade Unions**

Trade Unions in the London Borough of Havering are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pensions Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Seminars

Fund Officers regularly participate at seminars and conferences.

Data Protection

To protect any personal information held on computer, London Borough of Havering is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the London Borough of Havering's Council's Data Protection Officer on 01708-432130.

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Further Information

If you need more information about the Scheme you should contact the Pensions Administration Service at the following address:

Write to us at:

**Pensions Service
4th Floor, Mercury House**

**Romford
RM4 3DS**

Tel: 01708 432192/432981

Fax: 01708 432078

E-Mail: pensions@haverling.gov.uk

Web: www.haverling.gov.uk

There is also a number which you can dial direct and get through to the person dealing with individual cases. You will find this on any letter issued by the Fund.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE POLICY STATEMENT

The Council is the Administering Authority of the Pension Fund. The council has delegated to the Pensions Committee various powers and duties in respect of its administration of the fund.

Constitutional Arrangements

Under the Council's Constitution the duties and terms of reference of the Pension Committee are as follows:

- To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance.
- Where appropriate and above staff delegation levels to recommend staff to invite tenders and award contracts for actuaries, advisers and fund managers or other related investment matters.
- To appoint and review the performance of advisers and investment managers for Council and pension fund investments.
- To take decisions on those matters not to be the responsibility of the Cabinet set out in Sections 7, 12 or 24 of the Superannuation Act 1972.

Current Membership of the Pension Committee

The Pension Committee currently consists of six councillors listed below:

Conservative Group	Residents' Group
Melvin Wallace (Chairman)	Clarence Barrett
Roger Ramsey (V.Chairman)	Linda Van den Hende
David Charles	
Robby Misir	

Three Members constitute a quorum.

The staff trade union may appoint two representatives, entitled to attend and speak at meetings of the Pension Committee. They possess no voting powers. These representatives are however entitled to remain within the Committee, should the public be excluded on the grounds that exempt information is to be considered.

Scheduled and Admitted bodies are invited to attend meetings, though they have no voting, or vocal rights.

Long membership of the Committee is encouraged in order to ensure that expertise is maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the Council in order that members are fully trained in matters relating to investment, unless exceptional circumstances require a change.

Day to day management of the fund is delegated to the Group Director Finance and Commercial.

The Committee is supported by the Group Director of Finance and Commercial, Assistant Chief Executive Human Resources and the Assistant Chief Executive Legal and Democratic Services. The Head of the Exchequer Services has the responsibility to administer the Council's pension fund.

Training

Committee Members receive in depth training on a wide range of investment topics. Specific training is given on specific investment topics prior to any key decisions being taken. This approach ensures that important decisions are taken whilst training is still fresh in Members minds.

Whistle Blowing

The Pension Committee comply with the Whistle Blowing requirements of the Pension Act. 2004. It urges anyone to inform the correct authorities of any known wrong doings.

Diary

The Committee meets five times a year and occasionally holds extra meetings if required.

Further Trustee Responsibilities on Governance and Stewardship

Trustees are encouraged to look beyond administration procedures to really understand the key risks associated with all the functions and activities of the scheme. They are expected to consider risk management and stewardship in broad terms. Key risks include:

- Risk of fraud
- Corporate risk – risk of deterioration in the strength of employer covenant
- Funding and Investment risk – inappropriate investment strategies (one example of this could be risk of mismatch of assets and liabilities)
- Compliance of Regulatory risk – risk of failure to comply with scheme rules and legislation

The further practical steps undertaken to cover these risks are as follows:

- The Statement of Investment Principles includes procedures to undertake a risk management review, and ensures terms of reference of delegations cover all key responsibilities.
- There are codes of conduct in place which ensure there is a process in place that considers potential conflicts of interest, with clearly identified steps to mitigate the likelihood or protocols if conflict occurs.
- The Pension Committee periodically sets out a business plan for the year.

Accountability and publication of information

Details of the Pension Committee meetings are published on the Council's website together with agendas and minutes. The meetings of the Pension Committee are held at the Town Hall and are open to the public.

Scheduled and Admitted bodies are notified in writing after each meeting and are informed of any major issues, and directed to the Agenda and minutes published on the Council's web-site.

An Annual Pension Fund Report and Accounts is published and circulated to all council members reporting on the activities and investment performance of the fund. The report also includes the meetings held and details of matters considered. Extracts of the annual report are reported in a booklet sent to all scheme members.

Reviewing and Updating

As well as undertaking an annual review the Council will review the policy as and when changes occur.

29 January 2007

Addressees
below

shown Our Ref:
Your Ref:

Dear Colleagues,

**THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (No.2)
REGULATIONS 2007 : SI 2007/xx**

1. With Ministers' agreement, I enclose a copy of draft regulations which amend the Local Government Pension Scheme Regulations 1997. ("the scheme regulations"). The new regulations introduce various measures to improve the administration and governance of the scheme. The amendments will apply to LGPS fund authorities in England and Wales. The closing date for comments is **23 March 2007**.

Background

2. Annex B to the Department's letter of 22 December set out the background and policy objectives to new scheme provisions on governance compliance statements; pension fund annual reports and pension administration strategy documents. These policies have been formulated with the assistance of various CLG chaired working groups, and generally reflect the conclusions and recommendations made by those groups and the views of consultees in response to various discussion papers.

3. Although the letter of 22 December explained that the new Scheme Administration Regulations 2007 would cover both these new work streams and the carry over of all the extant provisions of the 1997 Regulations, work on the latter is taking longer than expected and the decision has therefore been taken to come forward with a separate SI, as an amendment to the 1997 regulations, on the three measures described in paragraph 2 above. Work will continue on the extant provisions of the 1997 Regulations and will be the subject of a further statutory consultation exercise very shortly.

Governance compliance statement (Draft Regulation 3/New regulation 73A)

-
4. The intention is that this regulation will in part replicate the existing provisions of the 1997 Regulations which requires LGPS administering authorities to prepare, publish and maintain policy statements about their governance arrangements. On this basis, the proposed regulation will require administering authorities to prepare a written statement setting out whether it delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority; and, if it does so, to set out :-

- (i) the terms, structure and operational procedures of the delegation;
- (ii) the frequency of the meetings of any committee or sub-committee to which the

function or part of the function is delegated;

- (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights.

5. But in addition to the continuation of these existing provisions, this regulation will also require the administering authority to publish details of the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State; and, where it does not do so, to give the reasons for not complying. The relevant additions are at regulation 73A(1)(c) and (d).

6. Administering authorities would be required to publish the first such statement on or before 1st October 2007 - regulation 73A(2) - and, as now, would continue to be under an obligation to revise the statement following a material change in respect of any of the matters mentioned above and to publish the statement as revised. In preparing or revising its statement, an administering authority will continue to be under a requirement to consult such persons as it considers appropriate.

7. When it publishes its statement, or the statement as revised, an administering authority will be required to send a copy of it to the Department - regulation 73A(5).

8. In the same way that administering authorities were required to measure their investment policies and arrangements against the ten Myners investment principles, the intention is that a similar set of best practice principles on governance will be issued. The Department will work closely with the CIPFA Pensions Panel, the trades unions, local government employers and other interested parties, in the preparation of this guidance which may, for example, include the items shown below

Aim/Purpose

- basic principles - transparency, accountability, equality
- chosen system must reflect adequately the needs of relevant stakeholders while complying with nature of LGPS and local government law

Fiduciary Responsibility, Voting (where applicable), etc

- committee member's fiduciary duty to act in best interests of pension fund beneficiaries and scheme beneficiaries, including participating local authorities and their taxpayers, other participating employers, scheme members
- responsibilities of a lay member given voting rights on a formal pensions committee
- general standards/conduct issues

Role of a scheme members' representative

- responsibilities? reporting back to their constituents, "Members' Champion"?
- how should they be selected?
- skills/qualities they need
- support they need from their constituents
- trade unions

Training etc

- training
- continuity
- facility time
- costs

Governance Structures

- good quality options currently used by authorities
- using more than one body/arrangement : remit of each, communications & relationships
- informal participation/engagement by scheme members (eg forum, annual meeting)

Meetings - minimum frequency, quorum, etc**Representatives'/scheme members' access to committee papers and information**

- generally
- on investment subject to local constitution

Publicising Representation Arrangements**The Governance Compliance Report**

- minimum content
- publication how & where (eg in pension fund's annual report)

Pension fund annual report (Draft Regulation 4/New regulation 76B)

9. To meet the Audit Commission's remarks about the auditing of LGPS pension funds, it was agreed last year that the scheme's regulations should be amended to require administering authorities to publish annual pension fund reports, and to stipulate their content to ensure consistency. In preparing the new provisions it is accepted that the overwhelming majority of administering authorities already publish annual reports to a very high standard, and so the new provision should not present a burden on authorities.

10. The regulations will require an administering authority, in relation to each year beginning on or after 1st April 2007, to prepare a document which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority, including a statement of the level of funding of the assets and liabilities of the fund as at the balance sheet date;
- (b) a report which explains its investment policy for each of those funds and reviews the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement, by the actuary who carried out the most recent valuation of the assets and liabilities of the fund, of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 73A (governance policy statement);
- (f) for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices);
- (g) the current version of the statement under regulation 76A (funding strategy statement);
- (h) the current version of the statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (statement of investment principles);
- (i) the current version of the statement under regulation 106B (statements of policy concerning communications with members and employing authorities (including non-Scheme employers)); and
- (j) any other matters which the authority considers appropriate.

11. The authority will be required to publish the document on or before 1st October in the year following the year in relation to which it has been prepared. So the first report, in respect of the year beginning 1st April 2007, must be published not later than 1st October 2008. It is important to note that the above represents the minimum that the annual report must include. There would be nothing to prevent any pension fund authority from including in their report any items not described above.

12. In preparing and publishing the annual report, authorities will be required to have regard to guidance issued by the Department. We will work closely with the CIPFA Pensions Panel and other interested parties in preparing the guidance.

13. Although this new regulation would require administering authorities to publish a single report annually containing all the specified items, they will still be subject to the separate regulatory requirements to prepare and publish a governance policy statement, funding strategy statement, statement of investment principles and communications policy statement. The new regulation is not intended to complicate compliance with these pre-existing requirements. Authorities will be free to publish/circulate these individual documents as appropriate/convenient - for instance on a website. They will still revise each one, and publish the revised version, in accordance with the relevant regulation - this could obviously need to happen between annual report publication dates.

Local Pension Administration Strategy Documents (Draft Regulation 4/New regulation 76C) and Administration Costs (draft Regulation 5/new regulation 81A)

14. The rationale for conferring powers on administering authorities to establish local plans as a means of improving the flow of data, communications, and general performance of participating employers, was set out in Annex B to the Department's consultation letter of 22 December.

15. Under the proposed regulations, an administering authority will be given the discretion to prepare a document (to be known as a pension administration strategy) which contains the authority's policies in relation to the matters mentioned below :-

- (a) procedures for liaison and communication with employing authorities in relation to which it is the administering authority;
- (b) the establishment of levels of performance which the administering authority and those authorities are expected to achieve in carrying out their functions under the LGPS Regulations by —
 - (i) the setting of performance targets;
 - (ii) the making of agreements about levels of performance and associated matters; or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and those authorities comply with statutory requirements in respect of their functions under the LGPS Regulations, and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and those authorities to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to a relevant employing authority under regulation 81A(2) on account of that authority's unsatisfactory performance in carrying out of its functions under the Regulations when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (iv) the extent to which that authority and relevant employing authorities have achieved the levels of performance established under sub-paragraph (b); and
 - (v) other matters arising from the authority's pension administration strategy;
- (g) such other matters as the authority considers appropriate, after consulting those authorities and such other persons as it considers appropriate.

Authorities' functions "under the LGPS Regulations" should be understood as administering authorities' and employing authorities' functions under (currently) the LGPS Regulations 1997, and (in the future) under the Regulations for the new-look Scheme which will come into force in April 2008.

16. In preparing or revising its strategy, an administering authority will be required to consult each relevant employing authority and such other persons as it considers appropriate. An administering authority will be under no obligation to have a pension administration strategy. But, where it does prepare one, it must publish its first strategy on or before 31st December 2007. Draft regulation 76C (7) requires the administering authority to send a copy of its published pension administration strategy to all its employing authorities, and to the Secretary of State. (It does not require the

administering authority to send a copy of its draft strategy to the Secretary of State.)

17. For the purposes of these provisions, any reference to the functions of an administering authority includes, where applicable, its functions as an employing authority.

18. Administering authorities that are not local authorities are invited to let CLG know if they consider that regulation 76C (pension administration strategy documents) needs to include special provision to enable them to comply with it in a way that is also consistent with any other legislation to which they are subject.

19. The new regulations will also confer on administering authorities the power to recover certain costs associated with poor administrative performance, in particular where additional work has to be performed because essential data is persistently late or statutory deadlines are not being met (regulation 81A). In these circumstances the administering authority may give written notice to the employing authority concerned, stating the administering authority's reasons for making their decision and specifying in the notice the additional administration costs attributable to that authority's level of performance. The administering authority will also need to set out the basis on which the specified amount is calculated.

20. In cases of a dispute between an administering authority and an employer about the amount to be recovered, the matter may be referred to the Secretary of State for determination. In reaching such a determination, the Department will have regard to all the relevant evidence submitted by both parties and in particular, in relevant cases, to the terms and conditions of any local pension administration strategy document.

Next Steps

-
21. The intention is that the amending regulations will come into force on 1st May 2007. During the consultation period, meetings of the scheme administration and governance working groups will be arranged to discuss these proposals in detail and, in particular, to establish the arrangements necessary for the completion of the various sets of guidance required by the regulations. In addition, meetings will be held with the Audit Commission, CIPFA and other relevant parties to discuss the new provisions on the publication of annual pension fund reports.

Ill-Health Guidance

-
22. Annex B to CLG's letter of 22 December described four new provisions to be included in the Administration Regulations. However the LGPS (Amendment) (No. 2) Regulations 2007 will not include a provision on ill health guidance. It is still CLG's intention to take this measure forward. However we now consider that, to avoid any confusion etc, this should be done after the ill-health provisions of the new-look LGPS have been finalised.

Contacts

-
23. Any queries should be addressed in the first instance to Margaret Dunleavy, (margaret.dunleavy@communities.gsi.gov.uk) or telephone 020 7944 6012. Written comments may be submitted to Margaret Dunleavy, Communities and Local Government, Local Government and Firefighters' Pension Schemes Division, Zone 2/E6, Ashdown House, 123 Victoria Street, London, SW1E 6DE.

Yours faithfully

BOB HOLLOWAY

ADDRESSEES

The Chief Executive of:

County Councils (England)
 District Councils (England)
 Metropolitan Borough Councils (England)
 Unitary Councils (England)
 County and County Borough Councils in Wales
 London Borough Councils
 South Yorkshire Pensions Authority
 Tameside Metropolitan Borough Council
 Wirral Metropolitan Borough Council
 City of Bradford Metropolitan District Council
 South Tyneside Metropolitan Borough Council
 Wolverhampton City Council
 London Pension Fund Authority
 Environment Agency
 Police Authorities in England and Wales
 Fire and Rescue Authorities in England and Wales.
 National Probation Service for England and Wales

Town Clerk, City of London Corporation
 Clerk, South Yorkshire PTA
 Clerk, West Midlands PTA

The Secretaries of:

Local Government Association
 LGPC
 Employers' Organisation for Local Government (LGE)
 PPMA
 SOLACE
 ALACE
 CIPFA
 New Towns Pension Fund
 ALAMA
 UCEA
 NALC
 SLCC
 Society of County Treasurers
 Society of District Council Treasurers
 Society of Welsh Treasurers
 Association of Metropolitan Treasurers
 Society of London Treasurers
 Association of Consulting Actuaries
 Northern Ireland Public Service Alliance

Trades Union Congress
 UNISON
 TGWU
 GMB
 UCATT
 Aspect
 Amicus
 NAPO

Association of Educational Psychologists

Audit Commission

NILGOSC

Confederation of British Industry

Business Services Association

Other Government Departments:

GAD

DoE (NI)

SPPA

DEFRA

DfES

 STATUTORY INSTRUMENTS

2007 No. xxx

PENSIONS, ENGLAND AND WALES
**The Local Government Pension Scheme (Amendment) (No.2) Regulations
2007**

<i>Made</i> - - - -	***
<i>Laid before Parliament</i>	***
<i>Coming into force</i> - - -	***

The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 7 and 12 of the Superannuation Act 1972([\[a\]](#)).

In accordance with section 7(5) of that Act the Secretary of State consulted such associations of local authorities as appeared to her to be concerned; the local authorities with whom consultation appeared to her to be desirable; and such representatives of other persons likely to be affected by the Regulations as appeared to her to be appropriate.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) (No.2) Regulations 2007 and shall come into force on [].

(2) These Regulations extend to England and Wales.

Amendment of Regulations

2. The Local Government Pension Scheme Regulations 1997([\[b\]](#)) are amended in accordance with the following regulations.

Governance compliance statement

3. For regulation 73A (governance policy statement)([\[c\]](#))substitute—

Governance compliance statement

73A.—(1) An administering authority must prepare a written statement setting out—

- (a) whether it delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- (b) if it does so—
 - (i) the terms, structure and operational procedures of the delegation;
 - (ii) the frequency of the meetings of any committee or sub-committee to which the function or part of the function is delegated;
 - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State; and

- (d) if it does not do so, the reasons for not complying.
- (2) An administering authority must publish the first such statement on or before 1st October 2007.
- (3) An administering authority must—
 - (a) revise its statement following a material change in respect of any of the matters mentioned in paragraph (1); and
 - (b) publish the statement as revised.
- (4) In preparing or revising its statement an administering authority must consult such persons as it considers appropriate.
- (5) When it publishes its statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State..

Reports and strategies

4. After regulation 76A (funding strategy statement) ([\[d\]](#))insert—

Pension fund annual report

76B.—(1) An administering authority must, in relation to each year beginning on 1st April 2007 and each subsequent year, prepare a document which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority, including a statement of the level of funding of the assets and liabilities of the fund as at the balance sheet date;
- (b) a report which explains its investment policy for each of those funds and reviews the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement, by the actuary who carried out the most recent valuation of the assets and liabilities of the fund, of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 73A (governance compliance statement);
- (f) for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices([\[e\]](#));
- (g) the current version of the statement under regulation 76A (funding strategy statement);
- (h) the current version of the statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (statement of investment principles)([\[f\]](#));
- (i) the current version of the statement under regulation 106B (statements of policy concerning communications with members and employing authorities (including non-Scheme employers))([\[g\]](#)); and
- (j) any other material which the authority considers appropriate.

(2) The authority must publish the document on or before 1st October in the year following the year in relation to which it has been prepared.

(3) In preparing and publishing the document the authority must have regard to guidance given by the Secretary of State.

Pension administration strategy

76C.—(1) An administering authority may prepare a document which contains the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("pension administration strategy"); and, where it does so, paragraphs (3) to (8) apply.

(2) The matters are—

- (a) procedures for liaison and communication with employing authorities in relation to which it is the administering authority;
- (b) the establishment of levels of performance which the administering authority and those employing authorities are expected to achieve in carrying out their functions under these Regulations by —
 - (i) the setting of performance targets;
 - (ii) the making of agreements about levels of performance and associated matters; or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and those employing authorities

comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

- (d) procedures for improving the communication by the administering authority and those employing authorities to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to such an employing authority under regulation 81A(2) on account of that authority's unsatisfactory performance in carrying out its functions under these Regulations when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and those employing authorities have achieved the levels of performance established under sub-paragraph (b); and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority, after consulting those employing authorities and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must revise its pension administration strategy following a material change in its policies in relation to any of the matters contained [in the strategy].

(4) In preparing or revising its pension administration strategy an administering authority must consult those employing authorities and such other persons as it considers appropriate.

(5) An administering authority must publish its first pension administration strategy on or before 31st December 2007.

(6) Where an administering authority revises its pension administration strategy it must publish the strategy as revised.

(7) When an administering authority publishes a pension administration strategy, or a that strategy as revised, it must send a copy of it to each of those employing authorities and to the Secretary of State.

(8) An administering authority and those employing authorities must have regard to the current version of any pension administration strategy when carrying out their functions under these Regulations.

(9) In this regulation a reference to the functions of an administering authority includes, where applicable, its functions as an employing authority..

Administration costs

5. After regulation 81 (payments by employing authorities to appropriate administering authorities)—

Administration costs increased by employing authority's level of performance

81A.—(1) Paragraph (2) applies where, in the opinion of the appropriate administering authority, it has incurred additional administration costs in respect of the fund to which regulation 81(1)(d) refers because of an employing authority's level of performance in carrying out its functions under these Regulations.

(2) The appropriate administering authority may give written notice to the employing authority stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the authority's opinion that the employing authority's contribution under regulation 81(1)(d) should include an amount specified in the notice in respect of the additional administration costs attributable to that authority's level of performance;
- (c) the basis on which the specified amount is calculated; and
- (d) where the administering authority has prepared a pension administration strategy, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

(3) Paragraph (4) applies where, in a case falling to be determined by the Secretary of State under regulation 81(3), an appropriate administering authority which has prepared such a strategy contends that the amount payable by an employing authority should include an amount in respect of the additional administration costs attributable to that authority's level of performance.

(4) Where paragraph (3) applies, the Secretary of State shall have regard to—

- (a) the provisions of that strategy which are relevant to the case; and
- (b) the extent to which the appropriate administering authority and the employing authority have complied with those provisions in carrying out their functions under these Regulations..

Signed by authority of the Secretary of State for Communities and Local Government

Date Parliamentary Under Secretary of State
Department for Communities and Local Government

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Local Government Pension Scheme Regulations 1997 (“the 1997 Regulations”).

Regulation 3 substitutes a new regulation 73A which requires an administering authority to publish a statement of its policies on delegating its function of maintaining a pension fund and to include the extent to which the policies comply with guidance given by the Secretary of State. The first statement must be published not later than 1st October 2007.

Regulation 4 inserts new regulations 76B and 76C. New regulation 76B requires an administering authority to publish an annual report about each of its pension funds, dealing with matters such as the performance and management of the fund, the administration arrangements for the fund, the authority’s investment policies and its funding strategy. The first report, in respect of the year beginning 1st April 2007, must be published not later than 1st October 2008. New regulation 76C makes provision for the preparation and publication by an administering authority of a pension administration strategy to deal with matters relating to the performance by the authority and its employing authorities of their functions under the 1997 Regulations. The strategy may include provision about any of the matters in new regulation 76C(2). If an administering authority decides to prepare such a strategy, it must be published not later than 31st December 2007.

Regulation 4 inserts a new regulation 81A which supplements provision in regulation 81 enabling an administering authority to recover administration costs from its employing authorities. New regulation 81A(1) and (2) enables the administering authority to serve notice on an employing authority that the amount payable by that authority should include an amount in respect of additional administration costs incurred because of that authority’s level of performance. If the authorities cannot agree on the amount of administration costs which are payable, the matter is referred to the Secretary of State for determination under regulation 81(3). New regulation 81A(3) and (4) provide that, in making the determination, the Secretary of State must have regard to relevant provisions of any pension administration strategy prepared under new regulation 76C and the extent to which the authorities concerned have complied with them.

A full regulatory impact assessment has not been produced for this instrument as it has no impact on the costs of businesses, charities or voluntary bodies and does not have a significant financial impact on any public bodies.

(**[a]**) 1972 c.11. The Secretary of State’s functions under sections 7 and 12 of the Superannuation Act 1972 in so far as they were exercisable in relation to Scotland were devolved to Scottish Ministers by section 63 of the Scotland Act 1998(c.46) and article 2 of, and Schedule 1 to, the Scotland Act (Transfer of Functions to Scottish Ministers etc) Order 1999 (S.I.1999/1750).

(**[b]**) S.I.1997/1612.

(**[c]**) Regulation 73A was inserted by S.I.2005/3199.

(**[d]**) Regulation 76A was inserted by S.I.2004/573.

(**[e]**) For “proper practices” see section 21 of the Local Government Act 2003 (c.26) and regulation 31 of S.I.2003/3146.

(**[f]**) S.I.1998/1831. Regulation 9A was inserted by S.I. 1999/3259 and amended by S.I. 2002/1852.

(**[g]**) Regulation 106B was inserted by S.I.2005/3199.



MEETING	DATE	ITEM
PENSIONS COMMITTEE	13 March 2007	6

REPORT OF THE CHIEF EXECUTIVE

**SUBJECT: PENSION FUND PERFORMANCE MONITORING FOR THE
QUARTER ENDED 31 DECEMBER 2006**

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarterly period to 31 December 2006. The performance information is taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and the Psolve Monitoring Report.

The net return on the Fund's investments for the **quarter** to 31 December 2006 was 3.9%. The combined tactical benchmark was 3.0% over the same period. This represents an out performance of 0.9% against the combined tactical benchmark and an out performance against the strategic benchmark of -0.0% by 3.9%.

The overall net return of the Fund's investments for the **year** to 31 December 2006 was 9.4 %. This compares to the annual tactical combined benchmark of 8.3% an out performance of 1% and outperformed the annual strategic benchmark of 3.0% by 6.2%.

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

RECOMMENDATION

That the Committee:

1. Considers the PSolve performance monitoring report and presentation.
2. Receives presentations from the funds UK Bonds Manager (Royal London) and our UK Equities Manager (Standard Life).
3. Notes the summary of the performance of the Pension Fund within this report.
4. Considers the quarterly reports provided by each investment manager.
5. Considers and notes any Corporate Governance issues arising from voting as detailed by each manager.
6. Considers any points arising from officer monitoring meetings.
7. Notes the decision to transfer £3m from internally managed cash to the funds UK Bonds Manager (Royal London).

REPORT DETAIL

1. **Background**

- 1.1 A major restructure of the fund took place in the first quarter of 2005. The transition of the assets to the transition manager's account happened in mid-January 2005, with the 5 new managers taking charge of the assets from 14 February 2005.
- 1.2 As part of the Statement of Investment Principles a strategic benchmark was adopted for the overall Fund of Gilts + 3.6% gross (3% net) per annum.
- 1.3 In addition to the strategic benchmark adopted above, 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 appropriate to the type of investments being managed. These are shown in the following table:

Manager and percentage of total Fund awarded	Mandate	Tactical Benchmark	Out performance Target (net of fees)
Standard Life 30%	UK Equities	FTSE All Share Index	2%
Alliance Bernstein 20%	Global Equities	MSCI All World Index	2.5%
Royal London Asset Management (RLAM) 30%	Investment Grade Bonds	<ul style="list-style-type: none"> • 50% iBoxx Sterling Non Gilt Over 10 Year Index • 16.7% FTSE Actuaries UK Gilt Over 15 Years Index • 33.3% FTSE Actuaries Index-Linked Over 5 Year Index 	0.75%
Westerns 10%	Global High Yield Bonds	Gilts	3.0% (gross)
UBS 10%	Property	HSBC All Balanced Funds Median Index	n/a

1.4 Both Western Asset and UBS manage the assets on a pooled basis. Standard Life, Royal London and Alliance Bernstein manage the assets on a segregated basis. Performance is monitored by reference to the benchmark and out performance target. Each manager's individual performance is shown in this report with a summary of any key information relevant to their performance.

1.5 Since the Quarter 3 (September 2006) Report, to ensure consistency with reports received from our Performance Measurers, Investments Advisors and Fund Managers, the 'relative returns' (under/over performance) calculations has been changed from the previously used arithmetical method to the industry standard geometric method (please note that this will sometimes produce figures that arithmetically do not add up).

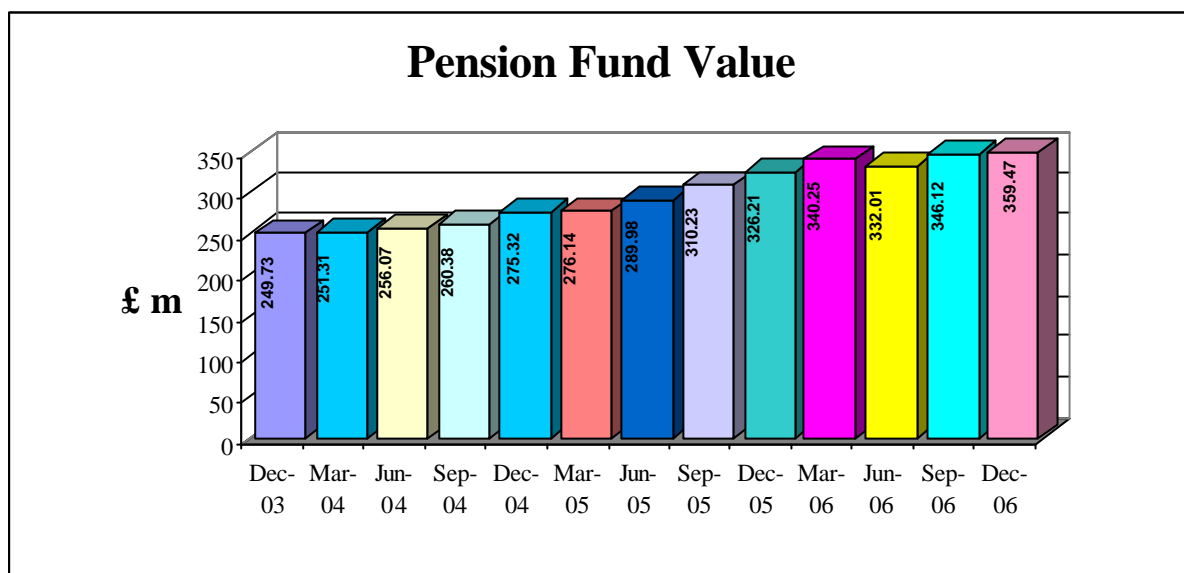
1.6 Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure is the Property Manager, UBS, who will attend two meetings per year, one with Officers and one with Pensions Committee. Managers who are to make presentations to this Committee are:

- UK Bonds Manager (Royal London), and
- UK Equities Manager (Standard Life).

1.7 Psolve's performance monitoring report is attached at **Appendix A**.

2. Fund Size

- 2.1 The total combined Fund value at the close of business on 31 December 2006 was £359.47m. This compares with a value of £346.12m at the 30 September 2006; an increase of 1.26%. The funds increase in value is a reflection of the quarter 4 performance, which is outlined and follows in this report.



- 2.2 The fund value includes internally managed cash of £4.9m. An analysis of this cash balance was carried out and based on advice sought from the funds investment consultant, surplus cash totalling £3m was transferred to Royal London as a move towards rebalancing the fund.
- 2.3 The current investment strategy adopted incorporates the assets of the fund being split between an Investment Fund at 70% and a Matching Fund at 30%. Before the investment of £3m the fund split was 73.7% (Investment Fund) and 26.3% (Matching Fund).
- 2.4 In line with the current Statement of Investment Principles the priority order for rebalancing the fund is to first use surplus cash. Investing in the matching side of the fund is in line with the strategy as this is the area where the fund is underweight. Royal London is the only fund manager in the matching side of the fund. After investment of the £3m the fund split will be 73.1% (Investment Fund) and 26.9% (Matching Fund)

3. Performance Figures against Benchmarks

- 3.1 The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) is shown below:

	Quarter to 31.12.06	12 Months to 31.12.06	3 Years to 31.12.06	5 years to 31.12.06
Fund	3.9%	9.4%	13.3%	7.5%
Benchmark return	3.0%	8.3%	12.6%	7.5%
*Difference in return	0.9%	1.0%	0.6%	0.1%

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

- 3.2 The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts over 15 years + 15% per annum) is shown below:

	Quarter to 31.12.06	12 Months to 31.12.06	3 Years to 31.12.06	5 years to 31.12.06
Fund	3.9%	9.4%	13.3%	7.5%
Benchmark return	-0.0%	3.0%	10.3%	6.1%
*Difference in return	3.9%	6.2%	2.7%	1.3%

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

As the fund has only been under its new arrangements since February 2005, historical performance greater than one year is no reflection of the new strategy.

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

QUARTERLY PERFORMANCE (AS AT 31st DECEMBER 2006)

	Standard Life	Alliance Bernstein	Royal London	Western Asset*	UBS	Total
Return (performance)	7.60	5.33	0.00	0.48	3.20	3.9
Benchmark	6.20	4.09	-0.20	-0.79	3.80	3.0
**Over/(Under) Performance vs Benchmark	1.40	1.24	0.20	1.27	(0.60)	0.90
TARGET	6.70	4.72	-0.01	-0.04	n/a	n/a
** Over/(Under) Performance vs Target	0.90	0.62	0.01	0.52	n/a	n/a

* Performance is gross to reflect the benchmark and target

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

ANNUAL PERFORMANCE (LAST 12 MONTHS)

ANNUAL	Standard Life	Alliance Bernstein	Royal London	Western Asset*	UBS	Total
Return (performance)	19.30	8.22	1.40	0.19	17.10	9.40
Benchmark	16.80	6.10	0.80	0.03	19.20	8.30
**Over/(Under) Performance vs Benchmark	2.14	2.12	0.60	(0.16)	(1.76)	1.00
TARGET	18.80	8.60	1.55	3.03	n/a	n/a
** Over/(Under) Performance vs Target	0.42	(0.38)	(0.15)	(2.84)	n/a	n/a

* Performance is gross to reflect the benchmark and target

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

Source: WM Company, Fund Managers and PSolve

4. Fund Manager Reports

4.1. UK Equities (Standard Life)

Representatives from Standard Life are to make a presentation at this Committee.

The value of the portfolio increased from £112m in September to £121m in December.

The performance (net of fees) for the quarter outperformed the benchmark by 1.40% (140 basis points) and out performed the target of 6.70% by .90% (90 basis points).

The portfolio is made up of holdings in UK Equities and the Small Companies Fund

UK Equities

Positive performance was attributable to mining and metal sectors performing strongly during the quarter, therefore being overweight positions in Corus, Xstrata, Anglo American and Aquarius Platinum benefited performance. Merger and Acquisitions activity continues to be a theme and their heavy position in the professional publisher Informa, which was subject to bid speculation, benefited performance. Being underweight in the pharmaceutical sector proved beneficial due to continued weakness following more negative news flow on drug pipelines.

Negative performance attributable to being underweight in Gallaher which detracted from performance following the proposed acquisition of it by Japan

Tobacco. Their heavy position in HSBC also detracted from performance following a poor trading update.

Another detractor from performance was a heavy position in GlaxoSmithKline.

Small Companies Fund

Many of their favoured stock positions contributed to the Fund's out performance with positive returns from Aveva Group, Latchways, Datamonitor and Mears Group. Aveva and Latchways reported surging profits, while Mears Group continues to benefit from the growth in spending on social housing. Big Yellow Group which became the subject of takeover speculation was also beneficial.

4.2. Global Equities (Alliance Bernstein)

In accordance with agreed procedures officers met with representatives from Alliance Bernstein on the 13 February 2007 at which a review of the quarter 4 (October 2006 to December 2006) performance was discussed.

The value of the portfolio increased from £73m in September 06 to £77m in December 06.

Alliance Bernstein achieved a net return for the quarter of 5.33%. This represents an out performance of 1.24% (124 basis points) when compared to the benchmark of 4.09%. They also out performed the target of 4.72% by -.62% (62 basis points).

The value stock outperformed growth stocks, with strong stock selection being the main driver of performance in the fourth Quarter and over the year.

Stock selection was strongest in industrials, energy and materials. The weakest contributor to performance was in healthcare.

Looking ahead -

Value Stock - Alliance Bernstein believe that Value stock Opportunities remain low, whilst Value stock continues to outperform these are becoming more expensive which suggests a more challenging environment. Alliance Bernstein believe that there are future opportunities in European Airlines and believe that recovery is undervalued and additional seating capacity is expected to grow over the next few years.
Growth Stock – Alliance Bernstein believe that there is strong growth potential in Privatised Toll road projects driven by tight government budgets and traffic congestion.

There were no governance or whistle blowing issues to report. Alliance Bernstein was requested to include a statement on governance or whistle blowing issues in future presentations.

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

Representatives from RLAM are to make a presentation at this Committee.

The value of the portfolio increased from £92.8m in September 06 to £93m in December 06.

The performance (net of fees) for the quarter outperformed the benchmark of -0.20% by .20% (20 basis points) and outperformed the target of -0.01% by 0.01(1 basis point).

The conventional government and sterling credit bonds recorded out performance during the quarter whilst the index linked assets marginally underperformed their benchmark.

Most of the out performance was generated through stock selection. The out performance recorded by subordinated financial bonds and good stock selection within the property sector were significant to overall performance.

The Asset allocation to sterling credit bonds was increased during the fourth quarter. This reflected their view that the weakness in credit markets in the third quarter produced a good opportunity to increase exposure to attractively priced assets. To accommodate the higher credit weighting they further reduced the index linked exposure.

The Asset allocation marginally detracted from the funds return, given that index bonds gave the highest return over the quarter.

4.4. Global High Yield Bonds (Westerns)

In accordance with agreed procedures officers met with representatives from Westerns on the 13 February 2007 at which a review of the quarter 4 (October 2006 to December 2006) performance was discussed.

The value of the portfolio increased from £30.4m in September 2006 to £30.5m in December 2006.

Westerns outperformed the benchmark of -0.79% by 1.27% (127 basis points). They also outperformed the target of -0.4% by .52% (52 basis points). Westerns strategy is the long term and believes that over a market cycle of 3-4 years they will meet the target.

Positive performances during the quarter were attributable to:

- Remained underweight long U.K gilts.
- Held moderate position in U.S and Danish mortgages, focusing on lower coupon mortgages to minimise extension risk.

- Modestly increased the under weight exposure to external emerging debt as spreads remain narrow. Held a diversified range of local markets such as Mexico, Russia, Brazil, Turkey and Egypt.
- Maintained exposure to peripheral markets with a focus on South Africa and Israel.
- Maintained modest overweight in sector mainly through a diversified exposure to U.S High Yield. Held a core allocation to select European issuers.

Negative performances during the quarter were attributable to:

- 'Long duration' (i.e. expecting interest rates to fall) in the U.S and higher rates in the UK detracted from performance.
- Held modest allocations to short dated TIPS (Treasury Inflation Protected Securities) and increased exposure as real yields rose and breakeven inflation spreads narrowed. This detracted from performance as a negative inflation adjustment severely depressed returns.
- Continued to hold a relatively low exposure to investment grade corporate bonds with a focus on lower quality. Investment grade credit was a modest drag on performance but mitigated by placing emphasis on lower quality which outperformed.

Concerns were raised as to where future returns would come from. Westerns stated that they could not promise where these would come from and stated that where the yield curve level is flat they would be more tactical in duration. With regard to Global High Yields - Westerns are also expecting good returns for 2007 but not as well as 2006.

Emerging Markets has also done well but concerns were raised as to how long this would last. Westerns stated that a sudden recession could cause problems but they do not foresee this. Westerns believe that inflation is under control, Egyptian currency is doing OK and that the Turkish economy should slow down.

At a previous meeting Westerns were also asked to consider the possibility of re-negotiating their fee terms and they have since forwarded a proposal. Currently this proposal is under discussion between Westerns and our investment advisors.

Westerns also stated that there was no update on the changes to the prospectus. The latest draft prospectus is with Westerns legal team for comments. Once a final draft is agreed it will take the regulator 6 weeks to approve and become effective. As the revised prospectus includes a new share class for the management fee, the fee issue cannot be resolved until the prospectus is finalised and effective.

There were no governance or whistle blowing issues. Westerns were requested to include a statement in future presentations.

4.5. Property (UBS)

The value of the portfolio increased from £31.6m in September 2006 to £32.2m in December 2006.

UBS achieved a net return of 3.20%. This reflected a -0.60% (60 basis points) under performance against the benchmark. Over the last year they have underperformed the benchmark of 19.20% by -1.76% (176 basis points)

During the quarter UBS purchased the Springfields Outlet Shopping Centre in Spalding. The property is well let and has potential for added value through a number of asset management initiatives.

The acquisition of the long leasehold interest in one unit at Great Eastern Way Retail Park in Rotherham increased the asset's overall value.

At Triton's Kirby Street office asset in London, planning permission to convert the building into student housing was secured by an independent developer in this quarter. The developer is now due to complete their purchase of the building in Q1 2007.

Investors have now been invited to go on the waiting list for new subscriptions to this fund. Our investment advisors previously advised that they are not recommending clients to invest in UK property at the current time as it is relatively highly priced. Our investment advisors also advised that any further strategic investment in property should be a decision made as part of a full strategy review i.e. after the 2007 valuation.

Strategy

Being overweight in to offices, particularly in the South East has had a positive impact on total returns. This sector positioning is likely to remain for 2007.

As retail markets have weakened, UBS have rotated some stock and topped up on a stock by stock basis. Growing underweight position in warehouse property.

UBS expect their significant pipeline of asset management deals in the retail and office sectors to add to the strategic overweight in South East offices, by adding value to clients over the coming year.

5. Corporate Governance Issues

The Committee, previously, agreed that it would:

1. Receive quarterly information from each relevant Investment Manager, detailing the voting history of the Investment Managers on contentious

issues. This information is included in the Managers' Quarterly Reports, which is available for scrutiny in the Members Lounge.

2. Consider a sample of all votes cast to ensure they are in accordance with the policy and determine any Corporate Governance issues arising.
3. Receive quarterly information from the Investment Managers, detailing new Investments made.
 - Points 1 and 3 are contained in the Managers' reports.
 - With regard to point 2, Members should select a sample of the votes cast from the voting list supplied by the managers placed in the Member's room which is included within the quarterly report and question the Fund Managers regarding how Corporate Governance issues were considered in arriving at these decisions.

This report is being presented in order that:

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

Royal London and Standard Life

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

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:

With respect to the assets managed by Westerns on a 'pooled fund' basis, once the final version of the revised prospectus for the pooled fund has been approved it will need to be considered on behalf of the Council and account taken of any legal implications for the Council. Additionally, any agreed change in Western's fees will be signed off in a manner which ensures that the fees variation has binding effect. Otherwise, no specific legal implications arise from the matters set out within this report.

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

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STEPHEN EVANS
Chief Executive

Background Papers List

Standard Life Quarterly report to 31st December 2006
Alliance Bernstein Quarterly report to 31st December 2006
Royal London Quarterly report to 31st December 2006
Western Asset Quarterly report to 31st December 2006
UBS Quarterly report to 31st December 2006
The WM Company Performance Review Periods to 31st December 2006
PSolve Monitoring Report to 31st December 2006



MEETING	DATE	ITEM
PENSIONS COMMITTEE	13 March 2007	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL PLAN AND TRAINING PROGRAMME 2007/08

SUMMARY

This report sets out the plan of work for the year and assesses the training requirements for members of the Committee.

RECOMMENDATION

1. Members note the proposed work plan.
2. Members add any areas/topics that they want covered having regard to the information/reports elsewhere on the agenda.
3. Members consider the training proposals and identify any other needs.

REPORT DETAIL

1. The Pensions Committee is planned to meet five times over the next municipal year. It takes on board comments made by Members of the Committee re the length of meetings. The work plan for these is attached as Appendix A.

The additional meeting will be used to deal with more of the annual review work where possible, in order that the other meetings can be focussed on manager

reviews.

In order for Members to obtain a knowledge of how the managers work on the ground, it is proposed that one of the Officer Monitoring sessions per Manager takes place at the offices of the Manager and that Members have the opportunity to attend. The visit will be arranged so that Members and Officers can understand the operations as well as attend a monitoring meeting.

2. It is important that all the Members of the Committee are adequately trained and briefed to achieve the terms of reference of this Committee which are:
 - To consider and agree the investment strategy and statement of investment principles for the pension fund
 - Where appropriate and above staff delegation levels to authorise the invitation of tenders and the award of contracts for actuaries, advisers and fund managers or other related investment matters
 - To appoint and review the performance of advisers and investment managers for Council and 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
3. Specific and detailed training was undertaken during 2006 and this is summarised in Appendix B.
4. Having regard to the work plan, it is intended:
 - (a) To organise three formal training sessions in respect of:
 - The triannual actuarial valuation on which the Committee will be deciding in December 2007.
 - Implications of changes in service delivery and options for the Pension Fund.
 - Fundamental review of investment strategy taking on board the results of the Actuarial Valuation 2007
 - (b) Advisers and Officers on hand for open question and answer sessions plus updates an hour before each Committee.
5. It is also intended that the Pensions Fund Accountant meet with each Member of the Committee on an individual basis to discuss the attached self assessment (Appendix C) and identify any other training needs. This will also be used to inform the coverage of the open pre Committee sessions.

Financial Implications and Risks:

1. None arising directly.
2. Training costs are met from the Pension Fund directly or via the Advisor Fee.

3. The Advisor Fee includes provision for two sessions and one of the sessions re: service delivery will be delivered via the actuary.
4. There is a considerable risk of poor decision making if Members of Committee are not trained in investment matters.

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.

Human Resource Implications and Risks:

None arising directly.

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Title: Group Director
Finance & Commercial

Telephone: 01708 432218

STEPHEN EVANS
Chief Executive

Background Papers

None

APPENDIX A

PENSION FUND INVESTMENT MANAGERS MEETINGS AND COVERAGE

MAY/JUNE 2007	LATE AUG/SEPT 2007	NOVEMBER 2007	DECEMBER 2007	LATE FEB/MARCH 2008
<ul style="list-style-type: none"> • Overall Monitoring Report on Pension Fund to March inc. a)Global Equities Manager b)Global Higher Yielding Bonds Manager • Agree Annual Report of Committee for reporting to Council • Stakeholder/ Regs review on pensions • Annual Report on activity of Pensions Admin 	<ul style="list-style-type: none"> • Overall Monitoring Report on Pension Fund to end of June: a) UK Equities Manager b) UK Bonds Manager • Pension Fund Accounts 	<ul style="list-style-type: none"> • Investment Strategy & FSS Review • Annual review of Custodian • Pensions and outsourcing • Pension Fund leaflet • Annual review of Adviser • Annual review of Actuary • Review of Communications/ Governance Policies • General report on Panel Activity • IDRP policy; discretions • Whistleblowing Annual Assessment 	<ul style="list-style-type: none"> • Results of Actuarial review • Overall Monitoring Report on Pension Fund to end of September inc. a)Global Equities Manager b)Global Higher Yielding Bonds Manager <p>It is proposed this meeting commences at 6.00 pm</p>	<ul style="list-style-type: none"> • Overall Monitoring Report on Pension Fund to end of December: a) UK Equities Manager b) UK Bonds Manager c) Property

APPENDIX B

PENSIONS COMMITTEE MEMBER TRAINING PLAN 2006

DATE	TOPIC COVERED	LOCATION	ATTENDED BY
3 rd July 06	Investment Advisor (PSolve) doing: <ul style="list-style-type: none"> • Introduction to Investment 	Before Committee at the Town Hall	Cllr Charles Cllr Gadd Cllr Wallace Cllr Ramsey Cllr Barrett
17 July 06	Investment Advisor (PSolve) doing: <ul style="list-style-type: none"> • Fund Managers • Setting the Benchmark 	Town Hall	Cllr Charles Cllr Wallace Cllr Ramsey Cllr Barrett
28 July 06 (see note 1)	Actuary (Hewitt Bacon & Woodrow) doing: <ul style="list-style-type: none"> • LGPS – Responsibilities & Regulations • Pension fund Valuations • Other Matters 	HBW offices - London	Cllr Wallace Cllr Van den Hende
21 September 06 (see note 2)	Investment Advisor (PSolve) doing: <ul style="list-style-type: none"> • Refresher Training • Fund Strategy Statements/ Statement of Investing Principles (SIP) 	Before Committee at the Town Hall (5pm- 7pm) (N.B. PSolve did not arrive until 6pm).	Cllr Wallace Cllr Ramsey
26 October 06 14 November 06 06 December 06 (This is a 3 Day Course)	Local Government Employers doing in depth training: <ul style="list-style-type: none"> • Day 1 <ul style="list-style-type: none"> ○ LGPS Framework ○ Investment Framework ○ Corporate Governance ○ Asset classes 	London (Layden House)	Cllr Wallace Cllr Van den Hende Cllr Ramsey Cllr Misir Cllr Barrett

	<ul style="list-style-type: none"> • Day 2 <ul style="list-style-type: none"> ○ Valuations ○ Funding Strategy Statements ○ Setting the benchmark and asset/liability modelling ○ Communication strategies/Polices 	London (Layden House)	Cllr Wallace Cllr Misir Cllr Van den Hende Cllr Ramsey Cllr Barrett
	<ul style="list-style-type: none"> • Day 3 <ul style="list-style-type: none"> ○ Duties & Responsibilities of Committee Members ○ Established Alternative Investments ○ The future for the LGPS ○ Managers and Manager Selection ○ Bringing it all together 	London (Layden House)	Cllr Wallace Cllr Misir Cllr Van den Hende Cllr Ramsey Cllr Barrett
12 December 06 – Training supplement	<ul style="list-style-type: none"> • Members were emailed a copy of the paper produced by Royal London on Bond Markets 	Training supplement via email	Cllr Wallace Cllr Misir Cllr Van den Hende Cllr Ramsey Cllr Barrett Cllr Charles Cllr Kelly (sub for Charles)

Note 1 – For those members who did not attend (Cllrs Barrett, Charles, Gadd and Ramsey) were sent copies of the training material.

Note 2 – For those members who did not attend (Cllrs Barrett, Gadd, Vand den Hende and Kelly (sub for Charles)) were sent copies of the training material.

SELF ASSESSMENT

PENSIONS COMMITTEE

I believe I am competent to agree the Investment Strategy of the Pension Fund	Yes / No
I believe I am competent to agree the Statement of Investment Principles	Yes / No
I understand my role in monitoring the Pension Fund performance	Yes / No
I feel capable in monitoring the Managers	Yes / No
I understand the balance of risk versus return	Yes / No
I understand the impact of different matters on the Fund	Yes / No
I understand the challenges being fixed by the LGPS	Yes / No
I understand my role	Yes / No

Date

Councillor

Signed



MEETING	DATE	ITEM
PENSIONS COMMITTEE	13 March 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT

1. SUMMARY

On 6 April 2005 the new whistleblowing requirements of the Pensions Act 2004 came into force. This extended the whistleblowing obligation to nearly everyone connected with running a Pension Scheme, in particular administering Authorities and employers. The Pensions Regulator issued a Code of Practice (CP1) that set out guidance on how to comply.

The basic requirement of the new law was that nearly all persons who are involved with a Pension Scheme have a duty to report 'as soon as reasonably practicable' to the Pensions Regulator where they have 'reasonable cause to believe' that there has been a breach of law 'relevant to the administration of the scheme' which is 'likely to be of material significance to the Regulator'. The Code discusses each of these issues, in particular what the Regulator sees as materially significant.

For administering Authorities and employers, an initial requirement was to establish procedures to identify any breaches, and then evaluate and if appropriate report them to the Regulator. These were put in place during 2005 and part of this was to undertake an annual review. An annual review was undertaken in March 2006 and this represents the annual review for 2006.

2. RECOMMENDATION

Members note the results of the annual review and that no breaches have been reported.

3. **REPORT DETAIL**

3.1 On 6 April 2005 the new whistleblowing requirements of the Pensions Act 2004 came into force. This extended the whistleblowing obligation to nearly everyone connected with running a Pension Scheme, in particular trustees, administering authorities (for the Local Government Pension Scheme (LGPS)) and employers. The Pensions Regulator then issued a Code of Practice (CP1) that sets out guidance on how to comply.

The basic requirement of the new law was that nearly all persons who were involved with a Pension Scheme have a duty to report 'as soon as reasonably practicable' to the Pensions Regulator where they have 'reasonable cause to believe' that there has been a breach of law 'relevant to the administration of the scheme' which is 'likely to be of material significance to the Regulator'. The Code discusses each of these issues, in particular what the Regulator sees as materially significant.

For administering Authorities and employers, an initial requirement was to establish procedures to identify any breaches, evaluate these breaches and, if appropriate, report them to the Regulator.

Since the requirement came into force on the 5 April 2005, no possible breaches have been reported to the Chief Finance Officer. Consequently no reports have been made to the Pensions Regulator.

3.2 The Code of Practice provided the following guidance:

(a) There is a requirement to report breaches

- Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.
- The decision whether to report requires two key judgements:
 - (i) is there reasonable cause to believe there has been a breach of the law;
 - (ii) if so, is the breach likely to be of material significance to the Pensions Regulator?
- Not every breach needs to be reported

(b) The requirement to report applies to:

- Trustees of trust based schemes

- Advisers and service providers (including those carrying out tasks such as administration or fund management)
 - Managers of schemes not set up under Trust (including administering authorities for the LGPS), and
 - Employers sponsoring or participating in work-based Pension Schemes.
- (c) The requirement applies to occupational and personal Pension Schemes (including stakeholder schemes).
- (d) **The reporting arrangements are that:**
- All reporters should have effective arrangements in place to meet their duty to report breaches of the law.
 - Reliance cannot be placed on waiting for others to report.
 - Breaches should be reported as soon as reasonably practicable.

Failure to report when required to do so is a civil offence.

The Pensions Regulator's objectives are to protect the benefits of Pension Scheme members, to reduce the risk of calls on the Pension Protection Fund (PPF), and to promote the good administration of work-based pension schemes.

Havering, via Investment Committee (now Pensions Committee), agreed the following:

3.3 Actions to ensure compliance / reporting

3.3.1 The named officer for reporting issues to within Havering is the Chief Finance Officer (CFO). Should she be notified of a breach she will set out a plan to:

- Obtain clarification of the law where it is not clear to the reporter;
- Clarify the facts around the suspected breach where these are not known;
- Consider the material significance of the breach taking into account its cause, effect, the reaction to it, and its wider implications, including, where appropriate, dialogue with the trustees or managers;
- Establish an adequate timeframe for the procedure to take place that is appropriate to the breach and allows the full report to be made as soon as reasonably practicable;

The CFO or a nominated person will then review and assess if a report should be made to the Pensions Regulator. This will normally be within one month of receiving all the appropriate information.

3.3.2 The CFO or nominated person will maintain a system to record breaches even if they are not reported to the Pensions Regulator (the principal reason for this is that the record of past breaches may be relevant in deciding whether to report future breaches); and

3.3.3 In order to ensure there is a process for identifying promptly any breaches including those that are so serious they must always be reported, it was agreed that an annual assessment against the following will be carried out and reported alongside the Pension Fund accounts. This assessment has been carried out and confirms the following is acceptable.

In relation to protecting members' benefits:

- Substantially the right money is paid into the scheme at the right time;
- Assets are appropriately safeguarded;
- Payments out of the scheme are legitimate and timely;
- The Fund is complying with any legal requirements on scheme funding which apply to the LGPS;
- The Administering Authority is properly considering the investment policy, and investing in accordance with it;
- Contributions in respect of money purchase AVCs are correctly allocated and invested.

In relation to promoting good administration:

- Schemes are administered properly and appropriate records maintained;
- Members receive accurate, clear and impartial information without delay.

3.3.4 In addition:

- a) A note has been included in the annual report provided to scheme Members along with where to raise concerns.
- b) Monitoring Reports from Managers include active confirmations they do not believe there is anything to report.
- c) Procedures are in place for staff within the Borough dealing with the pension fund (this would include Finance, Accounting, Payroll and HR staff as well as Pension Administration staff) covering what they should do if they become aware of a possible breach and also (in very broad terms) whether there are any areas of pensions law etc. they would be expected to know about in their particular role.

- d) All Fund employers of the whistleblowing requirements have been notified.
- e) There is a named officer to maintain record of all breaches, assessments and actions taken – the CFO.
- f) Staff have been reminded of the procedures.

There have been no reported breaches.

3.3.5 Should a breach occur the named officer will write to all Pensions Committee Members should any instances arise setting out action being taken and do a full report to the next available Committee.

Financial Implications and Risks:

There are no implications arising directly as the work will be managed within existing resources by, if necessary, re-prioritising work. There are, however, possible financial penalties on non compliance, hence the need to have procedures in place.

Legal Implications and Risks:

In determining whether the legal requirements of the Pension Act have been met, a court or tribunal may take into account any relevant Codes of Practice. Section 70 of the Pensions Act introduces specific requirements for whistleblowing on the persons specified in paragraph 3.2(b) above where the person has reasonable cause to believe that a duty which is relevant to the administration of the scheme in question and which is imposed by law has not or is not being complied with and the failure is likely to be of material significance to the pensions Regulator. Failure to notify can result in a penalty of £5,000 (max) being imposed on an individual and £50,000 on a corporation.

It is therefore necessary for the Council to have in place certain procedures which draw this to the attention of those persons covered by the legislation and enable any report to be considered and, where appropriate, brought before the Pensions Regulator.

Human Resource Implications and Risks:

The Council has a whistleblowing/confidential reporting policy which this procedure will complement. There is a need for staff to be informed of the requirements and what they should do if they become aware of a possible breach. The actions proposed should ensure that this is the case. The principles of whistleblowing will be adhered to in relation to anonymity.

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STEPHEN EVANS
Chief Executive

Background Papers

Pensions Regulator Code of Practice.