

**MINUTES OF A MEETING OF THE  
PENSIONS COMMITTEE  
Town Hall, Main Road, Romford  
9 November 2011 (7.30 - 9.10 pm)**

**Present:**

**COUNCILLORS**

**Conservative Group**            Eric Munday (Chairman), Roger Ramsey,  
Melvin Wallace and Georgina Galpin

**Residents' Group**            Ron Ower

**Labour Group**

**Independent Residents  
Group**

Apologies were received for the absence of Councillors Denis Breading and Jeffrey Tucker.

All decisions were taken with no votes against.

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

**36    MINUTES OF THE MEETING**

The minutes of the meeting held on 14 September 2011 were agreed as a correct record and signed by the Chairman.

**37    WHISTLE BLOWING REQUIREMENTS OF THE PENSIONS ACT**

Officers informed the Committee that they had carried out the annual review of the whistle blowing obligations. The Committee **noted** the report which advised that no breaches had been reported.

**38    REVIEW OF THE PENSION FUND CUSTODIAN**

The annual review of the performance of the Pension Fund Custodian, State Street, had been finalised. The Custodian operates a wide range of functions which fall within two categories:

- Safe Keeping and Custody, and
- Investment Accounting and Reporting.

Officers had indicated that they had confidence that the assets were secure and accounted for correctly. They also indicated that they had confidence that accurate accounting records were maintained. State Street and officers also undertook quarterly reconciliations of accounts in the Statement of recommended practice (SORP) format and this process was proving to be successful in that any errors were identified early and could therefore assist the closedown process at the year end.

Officers informed the Committee that they were satisfied with the performance of State Street with regard to Safe Keeping and Custody functions and would like to see the improvements made for Investment Accounting and Reporting functions continued.

As reported at the last review officers had been in discussion with State Street over the level of fees. Officers advised the Committee that a new fee schedule had been negotiated and operated from 1 August 2011 on the basis that the new fees will deliver savings in the region of 15%.

The Committee **noted** the report.

### 39 **REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES**

In line with the Local Government Pensions Scheme Regulations and good practice the London Borough of Havering as an administrating authority undertook an annual review of the Statement of Investment Principles (SIP). Since January 2010 the administering authority must publish the compliance against a revised set of six principles. The Committee's attention was drawn to 2 areas where the Pension Fund did not fully comply with the principles.

- Principle No. 3 – Risk and Liabilities.
  - Point 12 – The annual report should include an overall risk assessment in relation to the funds activities. This could be done by summarising the contents of a regularly updated risk register, of which an analysis of the risks should be reported periodically to the committee. As the Pension Fund currently do not have an overall risk register officers were proposing that a Risk register be developed in 2011/12.
- Principle No. 4 – Performance Assessment
  - Point 19 (Under Decision making bodies) – The Committee were required to set out its expectations of its own performance in its business plan. This should include standards relating to the administration of the committee's business such as: attainment of standards set down in CIPFA's knowledge and skills framework; achievement of required training outcomes; etc.
  - Officers advised that the Committee was in the process of completing the Knowledge and Skills framework self

assessment forms, as produced by CIPFA. The results would feed into the training plan.

The Committee expressed their concern that nearly two years in to the life of the Committee not all Councillors had undertaken the necessary training. Although members had been asked to complete the Skills and Knowledge framework had completed the questionnaire and the Committee urged members to complete these as a matter of priority. The Committee had appreciated the training provided by Fund Managers in the past but would welcome training on the mechanics of administering the Pension Fund not just on the state of the market.

The Committee **AGREED** that all members of the Committee should receive training and that Group Leaders be invited to nominate substitutes to receive training.

The Committee further **AGREED** that the Governance Committee be requested to amend the Terms of Reference to require all members of the Pensions Committee to avail themselves of suitable training within 6 months of their appointment to serve on the Committee. Failure to avail themselves of the training would disbar them from membership until such time as they undertake the training.

The Committee **AGREED**

1. the proposed amendments to the Statement of Investment Principals; and
2. that officers develop a risk register during 2011/12 to ensure compliance with Principle No.3 – Point 12 and action be taken re training as set out above.

#### 40 **REVIEW OF GOVERNANCE COMPLIANCE STATEMENT**

As required by Regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 officers had undertaken a review of the Pension Fund's Governance Compliance Statement. The Committee's attention was directed to two key points.

##### a) Section 2. Constitutional arrangements

The Pensions Committee current duties and terms of reference included in the Governance Compliance Statement were as stated in the current Council's constitution as follows:

- i) "To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance".
- ii) "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”.

iii) “To appoint and review the performance of advisers and investment managers for Council and pension fund investments”.

iv) “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 the Local Government Pension Scheme”

The Committee **AGREED** to recommend the Governance Committee to amend the wording of ii) & iii) as follows:

1. Item ii) Change to “Recommend the authorisation of staff to invite tenders and to award contracts to actuaries, advisers and fund managers and other related investment matters”;
2. Item iii) – Change to “To appoint and review the performance of advisers and investment managers for pension fund investments.”

b) **Appendix A** sets out the authority’s position on compliance against the set of best practice principles. The Committee’s attention was drawn to two principals where the authority was not fully compliant. Officers did inform the Committee that it did not have to be fully compliant, but where it was not compliant it had to state why.

*i. **Principle B Representation Item (a)(iii)** - To meet the required standards all stakeholders are afforded the opportunity to be represented by, where appropriate, appointing independent observers. **Members reaffirmed their decision not to employ the services of an independent professional observer to participate in the governance arrangements on the basis that the current monitoring arrangements were sufficient for the size of the fund.***

*ii. **Principle D Voting** – To meet the required standards a declaration should be included in the governance policy statement on the justification for not extending voting rights to each body or group represented on the committee. **The Committee agreed to extend voting rights to the representative or representatives of the scheduled and/or admitted bodies.***

#### 41 **PENSION FUND ANNUAL REPORT -YEAR ENDED 31 MARCH 2011**

The Committee were advised that the Pension Fund Annual Report for the year ended 31 March 2011 had been prepared in accordance with Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008. In accordance with the Regulations the annual report must contain the following:

- a) Management and Financial Report
- b) Investment Policy and Performance Report
- c) Scheme Administration Report
- d) Actuarial Report
- e) Governance Compliance Statement
- f) Fund Account and Net Asset Statement (including Audit opinion)
- g) Benchmarking Report
- h) Funding strategy Statement
- i) Statement of Investment Principles
- j) Communication Strategy
- k) Any Other Material

Officers answered all questions raised by the Committee and the Committee:

**Agreed that**

1. The Pension Fund Annual Report be published electronically; and
2. The Chairman and Group Director, Finance & Commerce formally sign off the Annual Report.

42 **CONSULTATION ON THE REVIEW OF THE LOCAL GOVERNMENT PENSION SCHEME**

Officers informed the Committee that on 7 October 2011 the Department of Communities and Local Government (DCLG) had issued a consultation document with proposals to deliver short term savings in the Local Government Pension Scheme of £900m per annum nationally by 2014-15, equivalent to a 3.2% increase in employee contributions. Further proposals were expected to follow on the longer term changes by Lord Hutton as part of his review in to public sector pension schemes.

The DCLG had indicated that it did not propose to achieve its target solely from increased contributions, but was looking to combine these with reductions in benefits. Details of the options proposed by the DCLG were provided to the Committee. That had indicated that they were prepared to consider other options which deliver the same level of savings, although these fully costed proposals would need to be submitted by 6 January 2012.

On 2 November 2010 the Government had published a further document "Public Service Pensions: good pensions that last". This document sets out recommendations for Public Sector Pensions from April 2015. The key points from the proposals were:

- Benefits already earned were protected.
- For those in final salary schemes, those past benefits would be linked to their final salary when they leave the scheme or retire.
- For those public service workers who, as of 1 April 2012, had ten years or less to their current pension age, the Government's

objective was that they would see no change in when they could retire, nor any decrease in the amount of pension they would receive at their current Normal Pension Age.

- Government would continue to pay more overall toward pension benefits than the workforce.

The Committee had a full and frank discussion on the two proposals and **AGREED** that officers should prepare an Executive Decision for sign of by the Lead member for Vaue.

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**Chairman**  
**20 December 2011**