



Haverling

L O N D O N B O R O U G H

PENSIONS COMMITTEE AGENDA

7.00 pm

**Tuesday
24 November 2015**

**Committee Room 3A -
Town Hall**

Members 7: Quorum 3

COUNCILLORS:

**Conservative
(3)**

John Crowder
(Chairman)
Melvin Wallace
Roger Westwood

**Residents'
(2)**

Stephanie Nunn
Ray Morgon

**East Haverling
Residents'
(1)**

Clarence Barrett

**UKIP
(1)**

David Johnson (Vice-
Chairman)

Trade Union Observers

(No Voting Rights) (2)

John Giles, (Unison)
Andy Hampshire, GMB

**Admitted/Scheduled Bodies
Representative**

(Voting Rights) (1)

Heather Foster-Byron

**For information about the meeting please contact:
James Goodwin 01708 432432
james.goodwin@OneSource.co.uk**

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

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

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) - receive

3 DISCLOSURE OF PECUNIARY INTERESTS

Members are invited to disclose any pecuniary interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any pecuniary interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 22 September 2015 and authorise the Chairman to sign them.

5 COMMUNICATIONS STRATEGY (Pages 7 - 18)

6 REVIEW OF ACTUARIAL SERVICES (Pages 19 - 24)

7 REVIEW OF PENSION FUND CUSTODIAN (Pages 25 - 30)

8 REVIEW OF PENSION FUND INVESTMENT ADVISOR (Pages 31 - 36)

9 REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES (Pages 37 - 74)

10 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT (Pages 75 - 94)

11 KNOWLEDGE AND SKILLS TRAINING STRATEGY (Pages 95 - 118)

12 WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT (Pages 119 - 126)

13 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

14 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 1 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

**Andrew Beesley
Committee Administration
Manager**

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
22 September 2015 (7.30 - 9.55 pm)**

Present:

COUNCILLORS

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

Residents' Group Stephanie Nunn and Ray Morgon

East Havering Residents' Group Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Admitted/Scheduled Bodies Representatives: Heather Foster-Byron

Trade Union Observers: John Giles

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

8 MINUTES OF THE MEETING

The minutes of the meeting held on 23 June 2015 were agreed as a correct record, subject to the amendment of minute 6, first decision to read 'Agreed to adopt the FTSE RAFI 3000 index for a portion of the passive equity mandate managed by SSGA.' and signed by the Chairman.

9 PENSION FUND PERFORMANCE MONITORING - QUARTER 2

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 June 2015 was -2.3%. This represented an under performance of -0.5% against the combined tactical benchmark and an out performance of 3.5% against the strategic benchmark.

The overall net return for the year to 30 June 2015 was 8.8%. This represented an out performance of 1.2% against the tactical combined benchmark and an under performance of -8.7% against the annual strategic benchmark.

The Committee had received an update from Hymans Robertson and presentations from two of the Fund Managers Ruffer and Royal London.

The Committee **noted** the reports and presentations.

10 **PENSION FUND ACCOUNTS 2014-15**

At the request of Officers the Committee had agreed to take this item before the Annual Report.

Officers had provided an extract of the Council's Statement of Accounts for the year to 31 March 2015, showing the unaudited accounts of the Havering Pension Fund as at that date.

Key items to note from the statement were:

- The Net Assets of the Fund had increased to **£575m** for 2014/15 from £506m in 2013/14, an increase of 13.2%.
- The net increase of £69m was compiled of a change in the market value of assets of £63m, investment income of £7m and net additions of cash of £2m, and offset by management expenses of (£3m).
- The overall return on the Fund's investments was 13.2% (net of fees). This represented an out performance of 1.7% against the tactical benchmark and an under performance of -12.9% against the strategic benchmark.

A copy of the audited Pension Fund Accounts and the auditors' opinion would be included in the 2014/15 Pension Fund Annual Report. The statutory publication date for the 2014/15 Pension Fund Annual Report was 1 December 2015.

Officers informed the Committee that once the auditors ISA260 report had been finalised it would be circulated to the Committee.

We have **noted** the report.

11 **PENSION FUND ANNUAL REPORT - YEAR ENDED 31 MARCH 2015**

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

- a) Management and Financial Report;
- b) Investment Policy and Performance Report;

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

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

The Committee had:

1. **Agreed** the 2014/15 Pension Fund Annual Report;
2. **Agreed** that the Pension Fund Annual Report should be published electronically; and
3. **Authorised** the Chairman of the Pensions Committee and the Director of Communities and Resources to conclude and sign the annual report, subject to any minor amendments being incorporated in the report prior to the final sign off.

12 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

13 **EXEMPT MINUTES**

The exempt minutes of the meeting held on 23 June 2015 were agreed as a correct record, subject to the amendment of minute E6, to read 'Agreed to adopt the FTSE RAFI 3000 index for a portion of the passive equity mandate managed by SSGA.' and signed by the Chairman.

14 **QUARTER 2 PERFORMANCE - HYMANS REPORT**

Hymans Robertson had advised the Committee of the performance of the Pension Fund's investments in Quarter 2.

Market Summary

- Uncertainty around commodity prices and the Greek debt crisis had weighed on investors' sentiment over Q2 2015, with UK equity markets retracing some of the gains made at the start of the year. Japanese equities had been the standout performer, returning 5.6% over the quarter as a combination of government support and a flow through from a weaker Yen had pushed the Nikkei index up to its highest level in 18 years.
- Credit spreads had widened over Q2 2015, resulting in credit underperforming conventional gilts on a duration-adjusted (down 3.9% over the quarter).
- Property markets, represented by the IPD Monthly Property Index, had returned 3.6% over the quarter and 16.7% over the last twelve months.

Fund Performance

- Fund assets had been valued at £564.8m as at 30 June 2015, a fall of £9.0m over the quarter. The total return on the Fund's assets over the quarter had been -2.3%, underperforming the benchmark of -1.9%, by 0.4%..
- UBS Property and Ruffer Absolute Return had been the only mandates to produce positive absolute returns over the quarter, delivering returns of 3.2% and 0.6% respectively. In terms of relative performance, Baillie Gifford DGF, GMO Real Return and UBS Property had all underperformed their respective benchmarks. State Street's Global Equity Fund had continued to successfully track its benchmark, as was expected from a passive manager.

Investment Manager changes

- In April Baillie Gifford had announced that Charles Plowden, joint senior partner and one of the three co-managers on the firm's Global Alpha equity strategy, would be taking a 3 month sabbatical from the end of April 2015.
- Also during the quarter, Mike Brooks, one of the portfolio managers for the Baillie Gifford Diversified Growth Fund had resigned. Given the team structure employed in managing the fund, it was not believed that this would have a material impact of

the performance prospects for the fund and Hymans Robertson had maintained their “5 - Preferred Manager” rating.

- During the quarter, Hymans Robertson had upgraded their rating of UBS Triton to 4: Retain. This followed a series of changes that had been made to the UBS management team, the underlying property portfolio, the Fund's investor base and the overall Fund governance structure over the last two years, all of which it was believed had been positive steps.

Asset Allocation

- As at the quarter end, the Fund's direct allocation to equity assets had been slightly overweight target by 1.5% and the Fund's allocation to multi-asset mandates was underweight by 5.5%. On a look-through basis, the equity allocation at the quarter end had been c. 41%.

The Committee had **noted** the report.

15 PRESENTATION BY RUFFER

David Balance, Investment Director and Tom Saville, Senior Investment Associate attended the meeting to advise the Committee of their performance in quarter 2. Encouragingly, in a quarter where bond and equity markets had fallen, Ruffer had managed to produce a small positive return and outperform its cash benchmark by 0.3%. It had also outperformed the composite benchmark by 3.7%.

However, the Committee had been informed that by the end of the day on 21 September the Fund's investment had fallen to £70m.

Ruffers remained optimistic that they would be able to recover this loss in the long term.

The Committee had noted the presentation.

16 PRESENTATION BY ROYAL LONDON

Ewan McAlpine, Senior Client Portfolio Manager, Fixed Income and Rob Nicholson, Client Relationship Director had attended the meeting to discuss Royal London's performance over the last quarter and their views on future developments.

Quarter 2 had proven difficult for Royal London with the funding losing approximately £5m in value. However, they had still managed to outperform the benchmark. The position they had adopted was expected to improve the situation over the next three years.

At the last meeting the Committee had agreed to amend the outperformance target for the Royal London bond mandate from 0.75% to 1.25% p.a. (net of fees). It had also been agreed that suitable revisions to the investment guidelines should be discussed and agreed and that Royal London would be invited to address these changes and the potential impact on risk within the portfolio during their presentation.

Royal London had addressed these issues in their presentation and indicated they would be happy with the proposals.

A list of Allowable Pooled funds had been provided to the Committee.

The Committee had confirmed their decision to amend the outperformance target for the Royal London mandate and to restrict the investment to the Pooled Funds listed.

Chairman

**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

COMMUNICATIONS STRATEGY
STATEMENT FOR THE PERIOD 2016 -
2018

CMT Lead:

Andrew Blake-Herbert

Report Author and contact details:

Mo Jones
01708 432275
Mo.jones@onesource.co.uk

Policy context:

LGPS Regulations around Communication

Financial summary:

To achieve savings where possible through
effective efficient communication

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The report advises members of the current and aspirational Communication Strategy of the Council's Pensions administration team in relation to the Local Government Pension Scheme.

RECOMMENDATIONS

Members consider and approve the Pension Team's Communications Strategy for the 3 year period 2016 September 2018.

REPORT DETAIL

1. Regulation 61 of The Local Government Pensions Scheme Regulations 2013 requires the Administration Authority to prepare and publish a written statement covering communications with scheme members and employing authorities
2. The statement must set out the following
 - Communications with members, representatives, prospective members and employing authorities
 - The provision of information and publicity about the scheme, to the above
 - Format, frequency and method of distributing such information, or publicity
 - The promotion of the scheme to prospective members and their employers
3. The Communication strategy aims are to communicate with the various stakeholders in a clear, plain English manner with as little jargon as possible.

It also aims to utilise modern media that is cost effective and efficient, placing emphasise on greater use of the pension website www.yourpension.org.uk/handr as well as electronic notifications.

4. The use of Member Self Service for access to pension records is intended to be rolled out in this financial year, which should free up Pension Administration team member time and also save on postage costs.
5. Appended to this report The Communications Strategy 2016-2018:

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial implications are administrative savings both in postage and Officer time. There are no risks envisaged, in this strategy.

Legal implications and risks:

There are no apparent legal implications in noting the content of this report.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

None arising directly.

BACKGROUND PAPERS

The Local Government Pensions Scheme regulations 2013



Havering
LONDON BOROUGH

**HAVING PENSION FUND
COMMUNICATION STRATEGY**

2016-2018

COMMUNICATION STRATEGY 2016 - 2018

INTRODUCTION

The Local Government Pension Scheme (LGPS) moved to a Career Average Revalued Earnings (CARE) basis from April 2014

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

The scheme stakeholders include:

- COMMITTEE MEMBERS
- EMPLOYERS including
 - LONDON BOROUGH OF HAVERING
 - SCHEDULED BODIES
 - ADMITTED BODIES
 - LOCAL PENSION BOARD
 - PENSION PANEL
- SCHEME MEMBERS (CONTRIBUTORS)
 - ACTIVE MEMBERS
 - RETIRED MEMBERS AND DEPENDENTS
 - DEFERRED MEMBERS
 - PENSION CREDIT MEMBERS
- PROSPECTIVE SCHEME MEMBERS
- OFFICERS WORKING IN THE ONESOURCE PENSION TEAM AND FUND MANAGEMENT
- INVESTMENT FUND MANAGERS
- OTHER BODIES
 - TRADE UNIONS
 - ACTUARIES
 - LEGAL ADVISER
 - AVC PROVIDERS
 - PENSION ADMINISTRATION SOFTWARE PROVIDER
 - INVESTMENT ADVISOR

Set out in this document are the key communication priorities, the mechanisms

and format which will be used to meet those communication needs.

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication, with the methods used being kept under review.

The frequency of communications and publicity is detailed in the following relevant sections where already determined, otherwise information will be provided in the most effective, economic and timely manner.

COMMUNICATION DELIVERABLES

There are three areas of significant challenge that will drive the communication strategy during the period 2016 – 2018:

- i) Automatic Re-enrolment;
- ii) The Triennial Revaluation; and
- iii) The introduction of Member Self-service.

The key actions required to deliver the focus of the strategy follow. These are the basis of the Communication Strategy monitoring.

The Key actions will be -

Action 1 – Active Members

- Continue to review employee communications methods to ensure that they are efficient as well as effective
- Continue to promote use of the LBH pension website, www.yourpension.org.uk/handr and the Council's Pension Fund pages, www.havering.gov.uk/pages/services/pension-fund.aspx
- Continue in the development of member online access to their pension record in line with oneSource self-service,
- explore the development of member online Annual Benefit statements via Member Self Service,

- support the Pension Team staff in developing communication skills through training, support and on the job training to increase their overall skills and knowledge.

Action 2 – Employers:

- continue to maximise the use of the developed Pensions Team employer communication database
- distribute material for employers to issue to employees
- work with employers to ensure they communicate effectively and efficiently with their employees
- continually review and improve the material and service available to employers via the LBH pension website www.yourpension.org.uk/handr, and the Council website, www.havering.gov.uk/pages/services/pension-fund.aspx
- Complete the collation and publication of Employer Discretion Documents
- explore online access for scheduled and admitted bodies to automate interfaces and updates, reducing administrative overheads
- regular meetings with Scheme Employers,
- allocated Specialist Senior Transactional Agent to each employer as employer liaison officers.

Action 3 – Pensioners:

- explore development of member self service access to their pension record on the administration system in line with oneSource self-service.

Action 4 – Deferred Pensioners:

- explore development of member self-service access to their pension record on the administration system in line with oneSource self-service.

COMMUNICATION RESPONSIBILITIES AND METHODS

The provision of timely and relevant information to stakeholders is key to managing the need for information and it is important we manage these expectations in resource terms (i.e. staff time).

The most efficient form of communication channel is on-line self-service and the least efficient channel is face-to-face, although the customer profile dictates the most effective communication channel.

A continual review of the effectiveness and efficiency of all communication channels takes place, aiming at developing the more efficient channels. The channels on order of efficiency are:

- on-line self-service,
- websites,
- employer newsletters and electronic updates,
- anticipating and targeting appropriate information to members via e-communication routes,
- anticipating and targeting appropriate information to members via hardcopy distribution,
- responding within set targets to incoming email (generic inbox),
- responding within set targets to incoming phone calls (generic phone number),
- regular meetings with External Employers (joint meetings and individual surgeries),
- roadshows for groups of Fund members,
- meeting Fund members individually face-to-face,

The Pensions Team consider the costs and benefits of all our future communications activities with a view to using the most efficient and effective methods, subject to

appropriate systems to facilitate efficient communication methods with more members of the scheme than is the case at present. An example of “savings” has been the change to a generic letter to pensioners detailing the pensions increase which was sent with the April payslips, saving postage costs and officer time checking the previous bespoke letters.

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 represented at the Pensions Committee meetings by one of the employers of the fund who acts on behalf of all other employers. This position has been assigned voting rights from March 2012. The Trade Unions are also invited, who attend 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.

Reports were taken to Pensions committee during the year regarding / covering \LGPS Governance Reform, LGPS Administering Authority’s Discretion Policies, LGPS Employer Discretions Policies and Pension fund Charging Policy.

LOCAL PENSION BOARD

Legislation required the creation of a Local Pension Board by 1 April 2015.

The role of the board being to assist the Authority’s Pension Manager in executing her duties.

A joint working party with L B Newham staff met regularly to ensure that the Terms of Reference and makeup of the board was agreed by Council in time.

SCHEME EMPLOYERS

Recent Changes

Following the Education Act 2011 there has been a significant growth in scheme employers due to the rising number of Secondary schools converting to Academies in the borough, and this trend is still continuing with Primary school Academies now being formed. Officers of the pension team continue to support new Academies as separate employers with the breadth of their new responsibilities. Experience so far has demonstrated that support beyond the normal is required to help them meet their statutory functions. The second impact of the new Academies, specifically for the Pension Team, is that the employer base has increased which increases the overall management and monitoring of scheme employers.

Regular Updates

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

Employers’ Guide

Guidance is issued electronically to assist the fund employers in discharging their pension’s

administration responsibilities. Officers are also available for advice.

This is supplemented by contacting a Specialist Senior Transactional Agent to non-Havering employers, available by telephone or personal visit to assist whenever necessary.

Internet

A microsite for employers is established on the Fund website. All manuals and Scheme literature is available on this site and is updated as required.

Site Meetings

Meetings with non-Havering Employers take place at their premises or at the council office, as required. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation changes and triennial valuation matters. "Yearend" meetings are held with Employers not on the council payroll.

SCHEME MEMBERS

Internet

Continue to review and develop the websites content, facilities and links of the Fund website, which contains Scheme details, fact sheets, forms, other literature and links to useful associated websites; and the Council website, which contains a number of strategies and financial information for our members to view.

Pension Fund Annual Report and Accounts

The Pension Fund communicates with its members via publication of an Annual Report which is available on the Council's website and Fund website

www.yourpension.org.uk/handr

A copy of the Fund's accounts is available on the Council's website, included in the Pension

Fund's Annual Report and available on the Fund website.

It is intended that scheme members will be informed of the annual report via a "Global news" item when it is available on both websites.

Newsletters

Newsletters are issued to members of the Fund, as changes to the scheme occur, and covers current hot pension topics within the LGPS, specific issues for Havering and the pensions industry in general. These are also archived on the Fund website.

Benefits Statements

An Annual Benefit Statement is currently sent direct to the home address of all members who are contributing to the Fund at the previous financial year end. It is the intention to have these made available through Member Self Service when it is launched. Benefit Statements are also sent direct to the home address of deferred members where requested to a home address where it 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 as well as being available on the funds website (as above).

Pay Advices

The Fund issues a pay advice to Scheme pensioners if their net pay varies by more than £5.00. An initial payslip, detailing the first pension payment, is sent to the home address. Further payslips will only be issued each April, May and October.

Additionally, Pension Increase letters are sent out annually and a P60 is issued annually by 31 May as per HMRC deadlines.

The authority operates Real time Information (RTI).

Correspondence

The fund utilises the oneSource service contact telephone number and email through Service Manager, together with surface mail and e-mail to receive and send correspondence in accordance with Audit advice and guidance.

Pension Roadshows

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 and recruitment days run by the Council to provide information to staff nearing retirement.

As well as being a valuable aid for pensioners and current scheme members, roadshows are used to target specific non-members.

PROSPECTIVE SCHEME MEMBERS

Scheme Booklet

All new prospective Scheme members will be provided with an electronic Scheme booklet at the time of their appointment to the London Borough of Havering and directed to the Fund website.

Intranet

The Fund's Intranet area contains a link to the fund website at www.pension.org.uk/handr

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.

Corporate Induction Courses

Officers of the Council will attend corporate induction events in order to present the benefits of joining the LGPS to prospective scheme members.

One-to-One" surgeries

One-to-One surgeries or meetings are held when requested to take account of individual queries.

OFFICERS WORKING IN THE ONESOURCE (HAVERING) PENSION TEAM AND FUND MANAGEMENT

Service Management Teams

The Fund is managed by Corporate Strategic Finance Services and administered by oneSource whose Senior Officers report to the relevant Directors.

Team Meetings

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

Shared Area

Shared areas give all pension team staff access and contain such information as procedure manuals, core briefings, LGPS circulars etc. This is an effective mechanism for ensuring that information is available to all staff at their work location in a timely manner. A database of links to all legislative circulars and bulletins is maintained to assist the team access information efficiently.

Induction

All new members of pension team staff undergo an induction procedure.

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.

Seminars

Pension Team officers regularly participate at seminars, conferences and specialised targeted training courses.

Pensions Team Leader

The Pensions Team Leader maintains an open-door policy and, within reason, is available to all staff on request. Skills and knowledge is kept up to date through participation at seminars, forums and conferences.

Pension Fund Accountant

The fund accountant responds to staff and other enquiries. Skills and knowledge is kept up to date through participation at seminars and conferences.

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 present their performance alternately to the Pensions Committee or to officers including the Group Director of Communities and Resources in rotation.

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.

The Council has decided to no longer participate in CIPFA but from 2015 will participate in Scheme Advisory Board benchmarking. This benchmarking will be mandatory from 2016 onwards.

Data Protection

To protect any personal information held on computer, the 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 necessary, 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.

The authority participates in the National fraud initiative.

The Communication strategy is designed to compliment the service we offer, and ensure we are communicating effectively with our stakeholders.

We aim to:

- communicate in a friendly way using plain English as much as possible, and professional jargon only where necessary
- use various mediums as appropriate and as efficiently and as economically as possible
- ensure all information on the scheme and associated topics is succinct, relevant and up to date.

To offer “self service” to update the scheme member individual records on the pension administration system. This will allow them to access their pension record using a password security system and to transact a significant proportion of their pensions business without having to enter into formal correspondence. Self-service was dependent upon upgrading the pension administration system.

Online ABS

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

**Write to us at:
Pensions Team
oneSource
Central Library, 2nd Floor,
St Edwards Way
Romford
RM1 3AR**

**Tel: 01708 433333
Fax: 01708 432078
E-Mail: pensions@havering.gov.uk,**

**Council's website:
www.havering.gov.uk/pages/services/pension-fund.aspx**

**Fund website:
www.yourpension.org.uk/handr**

Direct dial telephone numbers are quoted on letters issued by the fund.

Further Information

**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

REVIEW OF THE PENSION FUND
ACTUARY SERVICES 1 APRIL 2014 –
31 MARCH 2015

CMT Lead:

Andrew Blake-Herbert

Report Author and contact details:

Tara Philpott
01708 432179
Tara.philpott@onesource.co.uk

Policy context:

A review of the performance of the services provided by the Actuary demonstrates compliance against Myners principles

Financial summary:

Actuarial costs are met from the Pension Fund or from scheme employers where rechargeable

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The report reviews the performance of the Actuary from the 1 April 2014 – 30 September 2015.

RECOMMENDATIONS

Members note the views of officers on the performance of the Actuary during the period 1 April 2014 to 30 September 2015.

REPORT DETAIL

1. Following a competitive tendering process Hymans Robertson were appointed to provide actuarial services to Havering in respect of the Pension Fund. Hymans was appointed for the period 1 April 2010 to 31 March 2014, with an option for a further one year extension. The contract was extended by one year and expired on the 31 March 2015.
2. The Havering Pension Fund joined the Croydon Framework in March 2015 to obtain Actuarial and Benefits Consulting Services. Hymans Robertson is the appointed Actuary under this framework agreement. The contract expires on 31 March 2018. Hymans has been the Funds Actuary since April 2010 and no changes were made to the Hymans contracts as part of joining the Croydon framework but benefits from savings in procurement costs and fees.
3. The framework also addresses the issues of:
 - allowing authorities the opportunity to work together on a range of projects, sharing knowledge and costs to achieve common goals at a fraction of the costs that would otherwise be incurred and to focus;
 - meeting the governments encouragement for greater efficiencies in the administration of pensions and the Framework is designed to help meet those efficiencies together as part of the Croydon Framework.
4. The following criteria were used for the contract evaluation:
 - (a) Internal quality control procedures;
 - (b) Management processes that maintain the knowledge and expertise in depth to support the contract;
 - (c) Ability to work to tight deadlines; and
 - (d) Demonstrate long-term commitment to Local Government.
5. The contract set out a detailed service specification for the Actuarial Valuation Service and other actuarial services required which include:
 - (a) meeting the requirements of FRS 17/IAS19;
 - (b) admission of new bodies to the fund, including recommended employer contributions and bond assessments; and

- (c) advice and the provision of up-to-date information on topical issues.
6. The production of the triennial valuation is the key deliverable from the Actuary, together with regular funding updates and annual calculations required for the Council's statement of accounts under the Code of Practice on Local Authority Accounting. The next valuation will take place 31 March 2016.
 7. The Actuary also provides advice regarding changes in legislation affecting the Pension Fund, reviews guidance, and provides scheduled and admitted body contribution rates and other calculations as required.
 8. Since April 2014 the Actuary has undertaken the following:
 - (a) Attended officer level meetings;
 - (b) Provision of data for government departments;
 - (c) Delivered Member training –
 - i. Pensions Committee Induction 24 June 2014;
 - ii. Local Pension Board Induction Training 8 June 2015;
 - (d) Provided the actuarial statement for the statement of accounts;
 - (e) Produced a mid-valuation funding update report;
 - (f) Participated in the setting up of Local Pension Board;
 - (g) Produced 'like for like' analysis of 2013 valuation
 - (h) Produced IAS19 disclosure for the London Borough of Havering and FRS17 disclosures for the Colleges and Academies;
 - (i) Produced a report on workforce modelling (potential impact on the fund for changes in payroll and staffing);
 - (j) Provided modelling for 'Freedom and Choice' and fund implications;
 - (k) Provided actuarial factors to calculate the strain costs of early or ill health retirements
 - (l) Provided the calculation and provision of contribution rate assessments relating to -
 - i. 4 new Academies and 1 Technical College during 2014-15. Plus 1 new Academy and 1 Free School up to September 2015.
 - ii. Provision of pension information memorandum including potential bond and employer rates for Leisure Services contract renewal.
 - iii. Bond rates and employer rates for Academies outsourcing contracts for traded Catering Services.
 - iv. Provision of newsletters and help with publications including, Discretions, TUPE manual, Freedom and Choice, High Earner and Changes to pension taxation factsheets.
 - v. Regular legislative updates, 60 second briefings
 9. Hymans have been appointed to carry out Stage One of the Internal Disputes Resolution Procedure, and have reviewed one case in the period April 2014 to September 2015 which they found in the Councils favour.
 10. Hymans has delivered a diverse range of advice and assistance to the Council over this period. They have also worked with the Council on a number of

outsourced or potentially outsourced contracts. Service delivery response times remain excellent. All relevant services required during the period 1 April 2014 – 30 September 2015 were delivered in both a timely way and to a good or excellent quality.

Hymans continually provides briefings on changes to legislation, government consultations and changes to taxation etc. These are viewed as excellent and give Council officers a steering on most issues arising. Through the Collaborative Officers Group (COG) meetings, many publications are drafted and offered to Administering Authorities to purchase and the cost is shared dependant on the number of administering authorities take up the offer.

11. In conclusion, officers are very satisfied with the service that Hymans Robertson is providing.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fees are charged for the time spent on services, taking into consideration the complexity of the services provided

The net costs of the actuarial services were:

1 April 2014 to March 2015	£29k
1 April 2015 to September 2015	£18k

Fees included actuarial work that was recharged to other employers within the fund, as follows:

1 April 2014 to 31 March 2015	£17k
1 April 2015 to September 2015	£25k

The total net cost of £47k is met from the Pension Fund.

Legal implications and risks:

No legal comments on it or express legal implications.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

None arising directly.

BACKGROUND PAPERS

Not Applicable

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**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

**REVIEW OF THE PENSION FUND
CUSTODIAN**

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
01708432569
Debbie.ford@onesource.co.uk

Policy context:

Services are reviewed to ensure that the Pension Fund is receiving best value for money and is benefiting from all the services the custodian has to offer

Financial summary:

Cost of custodian services for the period 1 April to 30 June was £29,265

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

This report reviews the performance of the Custodian, State Street, for the period October 14 to September 2015.

RECOMMENDATIONS

It is recommended that the Committee notes the views of officers on the performance of the Custodian and makes any comment on the report, which it considers appropriate (section 3 refers).

REPORT DETAIL

1. Background

At its meeting of 8th September 2004, Members were informed that following a competitive tender process, State Street had been appointed via a Chairman's decision to provide an investment custodial service to the Havering Pension Fund. State Street was appointed for the period from 31st December 2004 until terminated by either party. The Council may terminate this agreement by giving at least 28 days' notice. The Custodian may terminate the agreement by giving at least 90 days' notice.

2. Review of the Custodian's performance

2.1 The Global Custodian State Street operate a wide range of functions. This falls into two main categories:

- Safe Keeping and Custody
- Investment Accounting and Reporting.

• Safe Keeping and Custody

This refers to the maintenance of accurate records and certificates of the ownership of stock and ensuring that dividend income and other distributions are received appropriately. The Custodian also manages the tax position of the fund, claiming back any recoverable overseas withholding tax paid on dividends received and maintaining the tax records of the fund.

• Investment Accounting and Reporting

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

- 2.2 Services are reviewed to ensure that the Pension Fund is receiving best value for money and is benefiting from all the services the custodian has to offer.
- 2.3 Officers met with the State Street on the 12 August 2015 where service performance was discussed and the results of the review of performance are set out in the table below:

CRITERIA	ASSESSMENT
What is important to the Authority	<p>It is important that the Pensions Committee and officers have confidence that all assets are secure and have been properly accounted for.</p> <p>It is important that accurate accounting records are maintained and appropriate reconciliations are provided with the numerous fund managers, investment advisers and performance measurers.</p> <p><i>Officers have confidence that the assets are secure and accounted for correctly as State Street produces quarterly reconciliations of valuations and holdings to fund manager records. Where differences occur outside the agreed tolerance levels explanations are provided.</i></p> <p><i>Officers have confidence that accurate accounting records are maintained. Officers run detailed reports from the custodian's website "mystatestreet" and these are reconciled to the summary level reports produced by State Street. This provides assurances that detailed reports are being run correctly. State Street and officers also undertake quarterly reconciliations of the accounts in an IFRS format and this process is proving to be successful in that any errors can be identified early and can therefore assist the closedown process at year end.</i></p>
Safe keeping and custody	<p>This relates to the core functions of the custodian.</p> <p><i>Officers are appreciative of how this role is performed and believe that this is a high quality service. Officers also review reports by State Street auditors on their internal controls and key procedures. Officers are satisfied with the management responses to the exceptions raised in the report.</i></p>

CRITERIA	ASSESSMENT
Prompt and responsive service	<i>Receipt of invoices continues to be irregular and response times to queries on invoices could be improved. Bulk receipts of invoices impact on work planning so officers continue to raise this with State Street to determine how improvements can be made. Response times to queries on the accounts are good.</i>
Support arrangements	<i>The support arrangements in place are good.</i>
Good communication	<i>Communications are good. Officers communicate frequently with State Street covering general day to day operations and State Street is always willing to have meetings where the service delivery is discussed.</i>
Provision of data for the Office of National Statistics (ONS) Returns	<i>State Street can only deliver audited data following completion of reports at month end. ONS completion deadlines do not coincide with State Street's reporting timetable and this will continue as it is unlikely that the ONS will relax their completion deadlines.</i>
Overall Summary	<i>Officers are 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 to be sustained.</i>

3. Conclusion

- 3.1 Officers are satisfied with the safe keeping and custody functions provided by State Street custodians.
- 3.2 Officers are pleased with the investment accounting and reporting functions. Officers will continue to monitor State Street to ensure that the level of service is sustained.

IMPLICATIONS AND RISKS

Financial implications and risks:

Invoices have only been received up to the period covering 30 June 2015. Therefore the cost of custodian services for the period 1 October 2014 to 30 June 15 is £29,265 (Oct 13 to Sept 14 was £39,711). The costs cover transaction charges, administration costs and custody fees based on a pre-agreed unit price applied to the value of the individual fund's assets and each transaction.

The cost of the custodian services has reduced in recent years due to the fund's use of pooled funds and this consequently reduces the custody and transaction charges.

The custodian fees are met from the Pension Fund.

There is a risk that the fund's value could be misstated if poor or incorrect data was provided by the custodian. This is mitigated by frequent reconciliations by the custodian to fund manager records and officer reviews of auditor reports that detail their internal control environments and key procedures. Internal control reports are reviewed for both the custodian and the fund

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

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

BACKGROUND PAPERS

Working papers held within Corporate Finance

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**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

REVIEW OF INVESTMENT ADVISOR

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
01708432569
Debbie.ford@onesource.co.uk

Policy context:

In line with Myner’s compliance statement
policy number 4 recommendation on
Performance measurement

Financial summary:

Investment Adviser fees are met from the
Pension Fund

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

This report reviews the performance of the Investment Advisor, Hymans, covering the period September 2014 to September 2015.

RECOMMENDATIONS

It is recommended that the Committee notes: -

The views of officers on the performance of the Investment Advisor and makes any comment on the report which it considers appropriate.

REPORT DETAIL

1. Background

- 1.1 Myner's Principles number 2 on clear objectives recommends that the committee, in setting out its overall objective for the Fund, should take proper advice and appoint advisors in open competition.
- 1.2 Hymans was appointed to provide Investment Advisory services to the Havering Pension Fund for the period commencing on the 1st April 2012. The contract is to run from 1st April 2012 until 31st March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.
- 1.3 Members have adopted the procedure to undertake an annual assessment of the Investment Adviser performance which is in line with Myner's Principle number 4 on performance measurement.

2. REVIEW OF THE INVESTMENT ADVISER'S PERFORMANCE

- 2.1 Hymans has been the Fund's Advisor since April 2006. A change to the individual advisor who was assigned to the Havering Pension Fund took place shortly before the new contract was awarded and this arrangement has continued after the contract commenced.
- 2.2 The services provided by Hymans are generally in relation to the core service which includes production of quarterly monitoring performance reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers, Investment advice and monitoring of the funds investment managers.
- 2.3 In addition to the above services, over the year of review Hymans undertook a tendering exercise to search for a replacement multi asset manager. This replacement manager was appointed in October 2014. They also undertook a review of the passive equity mandate and the bonds mandate. As a result of this review the allocation to the passive manger was increased and Hymans managed the transition of assets. The bonds mandate will be amended to increase the outperformance target.

2.4 A set of criteria was defined as part of the investment advice tender specification and these are outlined below:

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

2.5 In addition, included within the tender documentation officers selected other criteria which the Advisor should be assessed against, as they are essential in a service such as investment advice, as:

2.6 Communications and advice are clear, timely, accurate, challenging and comprehensive

2.7 Provision of advice to officers and members include comprehensive options and is encouraged to test the alternatives to decisions being made

2.8 A partnership approach to reaching investment decisions

2.9 The Investment Advisor’s performance has been reviewed using the above criteria and with consultation of the Pensions Committee; the results of the review of performance over the year of review are set out in the following table and have been discussed with the adviser:

CRITERIA	ASSESSMENT
Attendance at Pensions Committee Meetings	Investment Advisor has attended each Pension Committee as required.
Investment Advice :	<p>It is important that the Pensions Committee and officers receive expert advice on investment issues and how they affect the Local Government Pension Scheme.</p> <ul style="list-style-type: none"> • Investment strategy –Hymans undertook a review of the passive equity mandate and the bond mandate. • Investment Management Structure – Following the review mentioned above the

CRITERIA	ASSESSMENT
	<p>asset allocation to the passive mandate was increased and the passive market indices to be tracked were amended. Hymans also managed the transition of additional assets to the passive fund manager successfully. The outperformance target of the bond mandate will be amended and implemented during the review year 2016/17.</p> <ul style="list-style-type: none"> • Appointing an Investment Manager – The Investment Advisor managed the tendering process for a multi asset manager and guided the Pensions Committee through the interview process and a manager was appointed in October 2014. • Monitoring an investment manager - Every quarter the investment Advisor produces a monitoring report which covers market analysis and the performance of the Investment Managers. They attend the Pensions Committee meetings to discuss their report and have provided valuable advice and guidance at these meetings. The advisor also provides useful information and advice to officers and produces suggested questions for officers for meetings with investment managers. • Other responsibilities – Hymans produced and presented training for the Pension Committee, briefing members on current investment strategy and the difference between Fundamental indices vs. market capitalisation. Training preceded the decision required for changing the passive mandate.
<p>The value they will/could add to the decision making process</p>	<p>The advisors are expected to add value through their input to the development of the Fund’s investment strategy and in the selection of individual managers. The investment advisor has introduced to their quarterly monitoring reports a more quantitative measure of recognising added value, by breaking down the overall return to show market and manager contributions separately.</p>
<p>The level of pro-activity expected from the Adviser</p>	<p>The investment advisor has taken an active role at Pension Committee meetings and on behalf of the committee has challenged the fund managers on their performance and strategies.</p>
<p>Support arrangements</p>	<p>The support arrangements in place are good.</p>

CRITERIA	ASSESSMENT
Communications	The communication with the adviser is good. Reports are well structured and easy to understand.
Partnership Approach	The advisor has close working relationships to the Fund's actuary which helps the understanding of the implications of different strategies on the Fund.

3. Conclusion

Officers and the Pensions Committee are satisfied with the service provided by Hymans and have continued confidence in the advice being given.

Advisor costs

The cost of Investment Advisory services from October 2014 to September 2015 was £65,940 (prior year £53,627). This includes costs of £28,382 (£22,758) for the core services and £37,558 (£30,869) for additional services. Costs for additional services have been kept within budget.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report. The costs of the Investment Advisor are met from the Pension Fund.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

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

BACKGROUND PAPERS

Background Papers List

Specification for the Advice to the London Borough of Havering Pension Fund

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**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

**REVIEW OF THE STATEMENT OF
INVESTMENT PRINCIPLES**

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
01708432569
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Policy context:

Regulation 12 (1) of the LGPS
(Management and Investment of Funds)
Regulations 2009 requires an
administrative authority to keep this
document under review

Financial summary:

No direct financial implications

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

In line with the Local Government Pensions Scheme Regulations (LGPS) and good practice the London Borough of Havering as an administrating authority undertakes a review of the Statement of Investment Principles (SIP). This report sets out how the review was undertaken and highlights where or if changes were necessary.

RECOMMENDATIONS

That the committee:

1. Consider this report and any consultation responses and, subject to these, decide whether to agree the proposed amendments to the SIP (**Appendix A**).
2. Consider and agree to the administrative authority's position in respect of reporting compliance against the Myner's investment principles (**Appendix B**).
3. Consider whether it wishes to receive a further report on the implications of and compliance with the UK Stewardship Code.

REPORT DETAIL

1. Background

- 1.1 LPGS (Management and Investment of Funds) Regulations 2009 12(1) states that an administrating authority must prepare, maintain and publish a written statement of the principles governing its decision about the investment of fund money (this is known as Statement of Investment Principles).
- 1.2 The statement must cover its policy on:
 - (a) the types of investment to be held;
 - (b) the balance between different types of investments;
 - (c) risk, including the ways in which risks are to be measured and managed;
 - (d) the expected return on investments;
 - (e) the realisation of investments;
 - (f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and

realisation of investments;

(g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and

(h) stock lending.

1.3 The regulations, paragraph 12(3) also state that administering authorities must prepare and publish a statement which states the extent to which an administering authority complies or does not comply with guidance issued by the secretary of State. Where it does not comply it must state reasons for non-compliance. (This is known as the Myner's principles).

1.4 Guidance as issued from the Secretary of State will be the guidance as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 2009 called 'Investment decision making and disclosure' and updated in 2012.

1.4 The regulations as revised came into force with effect from the 1 January 2010.

2. Statement of Investment Principles

2.1 The Statement of Investment Principles was updated in July 2013 to reflect the committee's decision to allocate 3% of the fund's asset to infrastructure.

2.2 The proposed version of the SIP can be seen attached as **Appendix A**.

2.3 The main changes to the SIP are as follows:

- a) Reformatted the document and added a contents page.
- b) Updated the table showing the allocation of assets to managers by including two new columns to show that the mandates are the segregated or pooled elements and whether the mandate is active or passive,
- c) Social Environmental and Ethical Considerations statement have been updated.

2.4 In line with regulations before revising this statement an administering authority must consult. The revised SIP was distributed to the other employers in the Fund on the 4 November 2015 with comments to be received by the date of this meeting. A verbal update will be provided at the meeting as to whether any view or comments were received.

2.5 The final agreed version of the SIP will be distributed to the Fund Managers and other employers following this meeting.

3. Myner's Principles

- 3.1 Since January 2010 the administering authority must publish its compliance against a set of six principles.
- 3.2 Compliance against the six principles will also have to be published within the Pension Fund Annual Report.
- 3.3 Attached as **Appendix B** is the statement of compliance which shows the fund's position in respect of compliance against the six Myner's principles.
- 3.4 The principles were reviewed with regard to the updated CIPFA guidance and can demonstrate that the fund is compliant with the majority of the six principles but needs to consider the following area:

a) Principle No.5. Responsible ownership - Administering authorities should recognise and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code.

Best practice suggests that the committee should engage with, and consider the implications of, the UK Stewardship Code on a 'comply or explain' basis.

Those in the investment chain are split into three classifications - asset owners (e.g. pension funds), asset managers and service providers. It is a regulatory requirement of the Financial Reporting Council (FRC) that UK authorised asset managers' report whether or not they apply the code. Asset owners are free to choose whether or not they engage but if they do not then they have to provide a meaningful explanation in their annual report.

Action required for full compliance: CIPFA guidance suggests funds seeking to comply with Principle 5 should comply with the UK Stewardship Code.

Another consideration for the committee concerns the Key Performance Indicators (KPI's) that The Scheme Advisory Board is looking at developing to measure the 'health' of funds and to identify those funds where potential management problems lie. One of the measures includes whether a fund has adopted and reports against the FRC UK Stewardship Code. The committee should consider whether it receives a further report on the implications and compliance with the UK Stewardship Code.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no implications arising directly, however undertaking a review of the Investment Strategy on a regular basis will identify whether the investment objectives are being met and that they remain realistic. One of the Investment Strategy aims is to achieve a funding level of 100% on an on-going basis by 2030 whilst ensuring that investment objectives are being met and minimise any costs to the general fund.

Legal implications and risks:

It is a principle of administrative law that when the Authority has a duty to consult it must conscientiously take into consideration the representations of consultees before making its decision. Accordingly any comments provided under para 2.4 above should be considered conscientiously.

Otherwise there are no apparent legal implications and the applicable law is set out in the main body of the Report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

LGPS (Management and Investment of Funds) Regulations 2009

CIPFA publication investment decision making and disclosure Dec 09 and 2012

Statement of Investment Principles July 2013



Haverling
LONDON BOROUGH

STATEMENT OF INVESTMENT PRINCIPLES

NOVEMBER 2015

STATEMENT OF INVESTMENT PRINCIPLES

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[Compliance statement SIX Myners principle .xls](#)

STATEMENT OF INVESTMENT PRINCIPLES

London Borough of Havering Pension Fund ('the Fund')

BACKGROUND

The Scheme

The Local Government Pension Scheme (LGPS) is a nationwide scheme and part of the pay and reward packages for employees working in local government or working for other employers participating in the scheme.

The London Borough of Havering is the Administering Authority for the London Borough of Havering Pension Fund. The Fund is part of the Local Government Pension Scheme (LGPS) and provides death and retirement benefits for all eligible employees and their dependants.

The Scheme is a contributory, defined benefit occupational pension scheme and all active members are required to make pension contributions which are based on a fixed percentage of their pensionable pay as defined in the LGPS regulations.

The London Borough of Havering is responsible for the balance of the costs necessary to finance the benefits payable from the Fund by applying employer contribution rates, determined from time to time (but at least triennially) by the Fund's actuary.

The benefits of the Scheme are defined by statute. The London Borough of Havering has a direct interest in the investment returns achieved on the Fund's assets, but the benefits paid to pensioners are not directly affected by investment performance.

A new Career Average Revalued Earnings (CARE) Scheme was introduced from 1 April 2014. Pension builds up on a yearly basis equal to 1/49th of their actual pensionable pay in that year and is revalued in line with CPI (Consumer Price Index). For membership prior to 1st April 2014 pension is based on the best of the last three year's pensionable pay (whole time equivalent pay) and actual scheme membership (reckonable service).

Legislation

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and as amended in 2013 require Local Authority Pension Funds to prepare a Statement of Investment Principles (SIP) and to keep the statement under review and if necessary revised after any significant change in investment policy.

STATEMENT OF INVESTMENT PRINCIPLES

The Regulations set out that the SIP must cover:

- The types of investments to be held;
- The balance between different types of investments;
- Risk, including the ways in which risks are to be measured and managed;
- The expected return on investments;
- The realisation of investments;
- The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- The exercise of the rights (including voting rights) attaching to investments, if they have any such policy; and
- Stock lending.

They are also required to set out a Statement of Compliance with the six Principles of Investment Management contained in the CIPFA document "Principles for Investment Decision Making and disclosure" published in December 2009 and updated in 2012.

In preparing this Statement, the Pensions Committee has considered advice from the Investment Practice of Hymans Robertson LLP.

In relation to the Myners Code of Conduct for Investment Decision Making, the extent of the Fund's compliance with this voluntary code is summarised in the Appendix to this statement.

Pensions Committee

A dedicated group of Councillors (the "Pensions Committee") has been set up to deal with the majority of the Fund's investment issues. Major investment decisions will be referred for consideration to the Pensions Committee. The Pensions Committee is made up of elected representatives and reflects the political balance of the Authority. The Council and Employer representatives each have voting rights and Trade Unions have observer status. Scheduled and admitted bodies may appoint one representative who is entitled to attend the meetings of the Pensions Committee on their behalf.

The Pensions Committee reports to Full Council and has full delegated authority to make investment decisions. The Pensions Committee decides on the investment policies most suitable to meet the liabilities of the Havering Pension Fund and has ultimate responsibility for the governance of the Fund including Investment Strategy.

In particular, the Pensions Committee has duties that include:

- Monitoring the investment performance of the Fund on a quarterly basis;
- Determining overall objectives and strategy;

STATEMENT OF INVESTMENT PRINCIPLES

- Ensuring compliance with legislative requirements;
- Receiving the triennial valuation prepared by the Funds actuary with recommended contribution levels;
- Determining asset allocation and benchmarking;
- Appointment of Investment Managers.

The Pensions Committee is set up under the Local Government Act so that, where necessary, it can exercise decision-making powers. The Pensions Committee meets at least four times per year to hear reports from its officers, investment managers, actuary, investment adviser and performance measurement provider. Additional meetings are held as required in particular to ensure the appropriate Councillor training.

Advice

The Pensions Committee also receives and considers advice from executive officers of the Council and, as necessary, from its appointed external investment adviser (including specific investment advice), the actuary to the Fund and its investment managers.

The Regulations state that the Administering Authority must, when formulating its investment policy, have regard to the advisability of investing fund money in a wide range of investments and to the suitability of particular investments and types of investments.

Investment Managers

The Fund is invested in shares issued by companies listed on the stock exchange and on foreign exchanges and also in bonds, property funds and in cash.

The Pensions Committee has appointed investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Pensions Committee have given the investment managers specific directions as to the asset allocation but investment choice has been delegated to these managers subject to their respective benchmarks and asset guidelines.

INVESTMENT RESPONSIBILITIES

Responsibilities of the Pensions Committee

- Overall investment strategy and strategic asset allocation with regard to the suitability and diversification of investments;
- Monitoring compliance with this Statement of Investment Principles and reviewing its contents;
- Appointing investment managers, an independent custodian, the Fund actuary, external independent advisers and investment adviser;

STATEMENT OF INVESTMENT PRINCIPLES

- Reviewing investment manager performance against established benchmarks on a regular basis;
- Reviewing the investment managers' expertise and the quality and sustainability of their investment process, procedures, risk management, internal controls and key personnel;
- Reviewing policy on social environmental and ethical matters and on the exercise of rights, including voting rights;
- Reviewing the investments over which they retain control and to obtaining written advice about them regularly from the investment adviser. The Pensions Committee will also obtain written advice from the investment adviser when deciding whether or not to make any new investments or to transfer or redistribute assets within the mandates, whether due to market movements or other factors;
- Rebalancing the assets with reference to trigger points. When the Fund allocation deviates by 5% or more from the strategic allocation, the assets will be rebalanced back to within 2.5% of the strategic asset allocation. In exceptional circumstances, when markets are volatile or when dealing costs are unusually high, the Committee may decide to suspend rebalancing temporarily. The priority order for funding rebalancing is to first use surplus cash, followed by dividend and or interest income and lastly using sales of overweighted assets. The Pensions Committee will seek the written advice of the investment adviser with regard to rebalancing and detailed distribution of cash or sale proceeds.

The Pensions Committee is advised by The Council's Executive Officers, who are responsible for:

- Ensuring compliance with statutory requirements and the investment principles set out in this document and reporting any breaches to the Pensions Committee;
- Management of surplus cash, which is lent through the money markets in accordance with the Council's Treasury Management Code of Practice. Performance is measured against the 7-day London Interbank Bid (LIBID) rate;
- Investment accounting and preparing the annual report and accounts of the Fund;
- Ensuring proper resources are available for the Council's responsibilities to be met.

The Investment Managers are responsible for:

- The investment of pension fund assets in compliance with the legislation and the detailed investment management agreements;
- Tactical asset allocation around the managers' strategic benchmark as set by the Pensions Committee;
- Stock selection within asset classes;

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- Voting shares in accordance with agreed policy;
- Preparation of quarterly reporting including a review of past investment performance, transaction costs and future investment strategy in the short and long term;
- Attending meetings of the Pensions Committee and officers of the council as required.

The Independent Custodian is responsible for:

- Provision of monthly accounting data summarising details of all investment transactions during the period;
- Providing investment transaction details in a timely manner to the independent performance measurers;
- Safe custody and settlement of all investment transactions, collection of income, withholding tax reclaims and the administration of corporate actions;
- The separation of investment management from custody is paramount for the security of the assets of the Fund.

The Actuary is responsible for:

- Undertaking a triennial valuation of the Fund's assets and liabilities and interim valuations as required, including those to enable compliance with the reporting standards i.e. FRS17/IAS19;
- Advising on the rate of employer contributions required to maintain appropriate funding levels;
- Providing advice on the admission and withdrawal of employers to the scheme, including external employers following externalisation of services;
- Preparing the Funding Strategy Statement.

The Independent Measurers are responsible for:

- Providing the Pensions Committee and the Council's executive officers with comparative information on the Fund's performance relative to other funds and the relative performance of different types of investments.

The Investment Adviser is responsible for:

- Advising on the investment strategy of the Fund and its implementation;
- Advising on the selection of investment managers, and the custodian;
- Providing investment information, investment advice¹ and continuing education to the Pensions Committee and the executive officers;
- Independent monitoring of the investment managers and their activities.

¹ The Investment Adviser is authorised by and registered with the Financial Services Authority for the provision of investment advice.

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The Investment Adviser is remunerated by way of time cost fees and fixed fees within an agreed annual budget.

The Auditor

- The Fund is audited annually at the end of each financial year ending 31 March by external auditors.

PENSION FUND LIABILITIES

Fund Objective

The purpose of the Fund is:

1. To pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses;
2. To receive monies in respect of contributions, transfer values and investment income.

The overriding aims of the Fund as set out in the Funding Strategy Statement are as follows:

- To ensure that sufficient resources are available to meet all liabilities as they fall due.
- To enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to the Scheduled bodies, Admitted bodies and to the taxpayers.
- To manage employers' liabilities effectively.
- To maximise the income from investments within reasonable risk parameters.

The liabilities of the Pension Fund are the pensions due to be paid to current pensioners and their dependents, deferred members and the future benefits that will be paid to active members.

For active members, benefits are based on service completed but take account of future salary increases. The value of liabilities is calculated consistently on the on-going basis set out in the formal report of the Fund's Actuary on the actuarial valuation carried out as at 31 March 2013.

At the last triennial valuation (at 31st March 2013) the funding ratio was 61%.

The Fund's asset performance is monitored quarterly by the Pensions Committee and the funding position is formally reviewed at each triennial

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actuarial valuation and in accordance with the Fund's Funding Strategy Statement the Actuary also carries out an inter-valuation update. This funding update is provided to illustrate the estimated development of the funding position 18 months from the date of the valuation.

The Administering Authority is obliged to prepare a Funding Strategy Statement (FSS), which is published on the Council's web site Pension Fund page [Havering Pension Fund](#). This outlines the method by which the Fund aims to return to an acceptable level of funding. This is expected to be achieved by a combination of increased contributions to the Fund, and achieving good long-term investment returns following the implementation of the new investment strategy in 2012.

INVESTMENT STRATEGY

Investment Objectives

In framing investment strategy, it is recognised that the Committee has the long-term objective of being 100% funded on the current funding basis (i.e. with liabilities discounted at a rate of 1.8% p.a. in excess of gilt yields). The Committee is currently targeting to achieve this objective over the period to 2030.

The Committee wishes to pursue an investment strategy that retains at least a 60% chance of achieving this long-term objective. They have recognised that, over the ten year period from 31 March 2012, the required return from the Fund's assets to get "back on track" is around 6.5% p.a. more than the growth in the Fund's liabilities.

The Committee acknowledges this objective to be challenging and will therefore use this as a point of reference, rather than an explicit target. The Committee will monitor the development of the Fund's funding level to ensure the Fund remains on track and to identify any potential actions needed.

Based on advice from their Investment Adviser and a detailed review of strategy undertaken during 2012, the Committee has adopted a flexible investment strategy that reflects the following principles:

- *Growth*: The Committee recognises that a high allocation to "growth" assets/strategies is needed to achieve the long-term objective.
- *Control*: The Committee recognises that diversification can provide some protection against changing market conditions but that systemic risk cannot be diversified. The Committee therefore believes that greater dynamism within the investment strategy is desirable in order that the underlying strategy can be changed in response to changing market conditions.

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- *Income:* The Committee recognises the emerging gap between income and benefit expenditure and hence the need to draw on investment income.

All day to day investment decisions have been delegated to a number of authorised investment managers. The strategic benchmark is reflected in the choice and mix of funds in which the Fund invests. The Fund's benchmark is consistent with the Pensions Committee's collective view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

Asset Allocation

To achieve their objectives the Pensions Committee has agreed upon the following benchmark allocation:

Asset class	Target allocation %
UK/Global Equity	25
Multi Asset strategies	35
Absolute Return strategies	15
Property	5
Gilts/Investment grade bonds	17
Infrastructure	3
Total	100

Equity allocations will be managed using a combination of active and passive strategies. All other allocations will be managed on an active basis. The multi asset strategies will be permitted to invest in a range of asset classes. However, it is not expected that the underlying asset allocation in these strategies will remain static over time.

The Committee has agreed to introduce an allocation to local infrastructure. The prospective investment is an amount of up to £15 million and based on 31 March 2013 levels would be rounded to 3%. Allocations to infrastructure will be introduced as opportunities are identified. Each opportunity will be funded through the payment of additional contributions to the Fund rather than by reallocating existing assets.

The underlying target return of this strategy over the next 10 years is at least the return on long dated index linked gilts plus 3.5% p.a, and allows for the expected returns from the asset classes plus a conservative allowance for performance for active manager skill.

The allocation of assets to each manager, their respective benchmarks and performance targets are as follows:

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Asset Class	Target allocation	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
UK/Global Equity	12.5%	Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	6.25%	State Street Global Asset	Pooled	Passive	FTSE All World Equity Index
	6.25%	State Street Global Asset	Pooled	Passive	FTSE RAFI All World 3000 Index
Multi Asset Strategy	15%	Baillie Gifford (Diversified Growth Fund)	Pooled	Active	UK Base Rate plus 3.5%
	20%	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3.5%
Absolute Return	15%	Ruffer	Segregated	Active	LIBOR+
Property	5%	UBS	Pooled	Active	IPD All balanced (property) Fund's median +
Gilt/Investment Bonds	17%	Royal London	Segregated	Active	<ul style="list-style-type: none"> • 50% iBoxx £ non- Gilt over 10 years • 16.7% FTSE Actuaries UK gilt over 15 years • 33.3% FTSE Actuaries Index-linked over 5 years Plus 1.25%*
Infrastructure	3%	State Street Global Assets –Sterling liquidity Fund Cash is invested pending identification of a local infrastructure project.			

*0.75% prior to 1 November 2015

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From time-to-time, particularly when implementing the changes to the strategic asset allocation, when markets are volatile or when dealing costs are high, the Committee may deviate from the long-term strategy on a temporary basis.

The Committee recognises that, while it is impossible to predict short-term market movements, it should use its reasonable judgement in such circumstances. For example, this could be applied with the aim of avoiding excessive dealing costs or reducing the impact of adverse market movements by spreading changes over a number of dealing dates. In doing so, the Committee also recognises that the Fund is intended to meet the liabilities as they emerge over the longer term and hence the normal default position is to be fully invested broadly in line with the strategic benchmark.

Fees

UBS is remunerated by a fixed management fee and the expenses inherent in the management of the pooled property fund. All other fund managers are remunerated by an ad valorem scaled fee based on the market value at quarter end of the assets under management.

INVESTMENTS

Investments

The powers and duties of the Fund to invest monies are set out in the Local Government Pension Scheme (Management & Investment Funds) Regulations 2009. The Fund is required to invest any monies which are not required to pay pensions and other benefits and in so doing take account of the need for suitable diversified portfolio investments and the advice of persons properly qualified (including officers) on investment matters.

Types of Investment

In broad terms investments may be made in accordance with the investment regulations in equities, fixed interest and other bonds and property and in the UK and overseas markets. The regulations specify other investment instruments may be used e.g. financial futures, traded options, insurance contracts, stock lending, sub-underwriting contracts, although historically it has not been the practice of the Fund to participate in these. Any limitations on the use of these instruments will be included within the Investment Management Agreements (IMA's) or equivalent pooled fund rules.

The investment regulations also specify certain limitations on investments.

STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has set out control ranges and restrictions for the Fund's investments. These control ranges and restrictions have been considered when setting the benchmarks for each Manager.

Realisation of investment

The majority of the Funds' investments are quoted and traded on major stock markets and may be realised relatively quickly if required. A proportion of the Funds' investments would take longer to realise, such as property but these represent no more than 5%.

Investment Management

The Investment Managers are each bound by either an Investment Management Agreement (IMA) or, in the case of investment in pooled funds, the relevant Fund Documentation that takes account of:

- The benchmark set, and the allocation of assets within this benchmark;
- Cash needs;
- Risk tolerances;
- The policies on Corporate Governance and Socially Responsible Investment, given later in this document.

The Investment Manager must also select the appropriate types of investment as defined in the Regulations.

Investment Manager Controls

The Investment Managers are authorised and regulated by the Financial Services Authority (FSA), and must comply with the regulations contained within the Financial Services and Markets Act 2000 (FSMA 2000). Under these regulations, the manager must ensure that suitable internal operating procedures and risk frameworks are in place. FSMA is designed to provide a Fund such as this with an adequate level of protection, and the Investment Managers are obliged to meet their obligation imposed by this act.

The mandates set for the Investment Managers contain controls to ensure compliance with best practice and regulations. Controls on cash levels and transfers of cash and assets are also set within the IMA's, where appropriate, or equivalent pooled fund rules.

Reporting

The investment performance of the individual managers is reported to the Pensions Committee and Officers quarterly. Reports are received from the Fund's performance measurers and investment advisers, along with executive summaries from each investment manager including details of any voting undertaken in that quarter.

STATEMENT OF INVESTMENT PRINCIPLES

RISK

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are:

Funding risks:

- Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves at a rate faster than that assumed and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark.

In 2012, following the 2010 Actuarial Valuation and a full review of investment strategy commissioned from the Fund's investment adviser, the Pension Committee agreed to revise the investment strategy. The underlying allocation to growth assets following the review is: 80% in a mixture of equities, property and alternative assets/strategies with the remaining 20% in lower volatility bonds. Although this is not in line with a liability-matched position, it is intended to grow the value of the assets at a managed level of risk with manageable long-term costs for the Council.

The Committee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

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- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee manages asset risks as follows:

It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrains risk within the Committees' expected parameters.

The use of multi-asset and absolute return mandates recognises the expectation that risk will vary over time. By permitting the investment manager to not only invest in a diverse range of asset classes, but to vary the underlying asset distribution as market conditions change, the Committee expects that the pattern of returns will be smoothed.

By investing across a range of assets, including quoted equities and bonds; the Committee has recognised the need for some access to liquidity in the short term.

In appointing several investment managers and making appropriate use of passive management, the Committee has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee takes professional advice and considers the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

STATEMENT OF INVESTMENT PRINCIPLES

The Historic Position of Fund

The Fund is unlikely to be fully funded for several years. This has arisen for a number of reasons including:

- The reduction in the funding level to 75% of liabilities as a result of government regulations prior to the introduction of the community charge:
- The cost of the redundancy programme in the mid 1990's.
(Note that since 1998 redundancies and early retirements are a charge on departmental cost centres and external employers rather than the Pension Fund).
- Longevity improving at a faster rate than anticipated.
- Legislation changes since 1986 impacting on the level of liabilities (widowers, same gender partnerships & cohabitantes).

Review

- The investment strategy is reviewed by the Pensions Committee, at least every three years following the actuarial valuation results or when changes are required.
- The current review is based on a full investment strategy review in 2012, the Actuarial Valuation 2013, a subsequent interim assessment of the valuation in 2014 and a review and on-going advice on asset allocation from the Fund's Investment Adviser.

SOCIAL ENVIRONMENTAL and ETHICAL CONSIDERATIONS

'The Pensions Committee has considered socially responsible investment in the context of its legal and fiduciary duties, and the view has been taken that, while the non-financial factors should not drive the investment process to the detriment of the financial return of the Fund, it is appropriate for the Investment Manager to take such factors into account when considering particular investments.

Over the longer term, the Pensions Committee requires the Investment Manager(s) to consider, as part of the investment decisions, socially responsible investment issues and the potential impact on investment performance. Beyond this, the Investment Manager(s) has full discretion with the day to day decision making.'

STATEMENT OF INVESTMENT PRINCIPLES

CORPORATE GOVERNANCE AND VOTING POLICY

'The policy of the Havering Pension Fund is to accept the principles laid down in the Combined Code as interpreted by the Institutional Shareholders Committee 'Statement of Principles'.

In making investment decisions the Council will, through its Pension Fund Investment Manager(s), have regard to the economic interests of the Pension Fund as paramount and as such

1. Will vote at all general meetings of UK companies in which the Fund is directly invested.
2. Will vote in favour of proposals that enhance shareholder value.
3. Will enter into timely discussions with management on issues which may damage shareholders' rights or economic interests and if necessary to vote against the proposal.
4. Will take a view on the appropriateness of the structure of the boards of companies in which the Fund invests.
5. Will take a view on the appropriateness of the remuneration scheme in place for the directors of the company in which the Fund invests

Beyond this, the Council will allow its Investment Manager(s) full freedom with the day to day decision making.

The Pensions Committee will, where appropriate,

6. Receive quarterly information from the Investment Manager, detailing the voting history of the Investment Manager on contentious issues.
7. Consider a sample of all votes cast to ensure they are in accordance with the policy and determine any Corporate Governance issues arising.
8. Receive quarterly information from the Investment Manager, detailing new investments made.'

STOCK LENDING

The Committee has considered its approach to stock lending, taking advice from its investment adviser. After consideration of that advice, the Committee has decided only to permit stock lending by the Fund's passive equity manager, State Street.

State Street has agreed to indemnify the Fund against any loss arising from insufficient collateral being posted as part of its stock lending programme.

The Committee will review its policy on stock lending from time to time.

STATEMENT OF INVESTMENT PRINCIPLES

Consultation and Publication

The Council has reviewed the Statement of Investment Principles in association with the Fund's Investment Adviser and has also consulted with the employers of the Fund, employee representatives and all fund managers through written correspondence.

A copy of this document together with the Myner's Statement of Compliance has been published on the Council's website www.haverling.gov.uk (select Services, select Council and Democracy, select Pension Fund).

The Statement of Investment Principles will be reviewed and a revised version issued as soon as any significant change occurs. Any comments and suggestions will be considered. Please contact the Pension Fund Accountant with your views at info@haverling.gov.uk.

MYNERS Principles for Investment Decision Making

The Pensions Committee will regularly review the Scheme's compliance with this Statement of Investment Principles.

The Action the Council has taken to meet the recommendations made in the Myner's report has been updated to November 2015 and is available as an appendix to this statement.

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
<p>1. Effective decision-making</p> <p>Administrating authorities should ensure that :</p> <p>(a) Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and</p> <p>(b) those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest</p>	<p>1) Administering authorities should have a designated group of elected members appointed to a committee to whom responsibility for pension fund activities have been assigned.</p> <p>2) Roles of the officers with responsibility for ensuring the proper running of the administration authority's and the committee's business should be set out clearly. The rules drawn up should provide a framework for the committee's code of business and include a process for the declaration of conflicts of interest.</p> <p>3) The committee should be governed by specific terms of reference, standing orders and operational procedures that define those responsible for taking investment decisions, including officers and/or external investment managers.</p> <p>4) The process of delegation should be described in the constitution and record delegated powers relating to the committee. This should be shown in a public document, such as the statement of investment principles.</p> <p>5) In describing the delegation process, roles of members, officers, external advisors and managers should be differentiated and specified.</p> <p>6) Where possible, appointments to the committee should be based on consideration of relevant skills, experience and continuity.</p>	<p>SUMMARY: FULLY COMPLIANT</p> <p>A designated group of elected members, reflecting the political balance of the Council, have been appointed to a Pensions Committee who are responsible for pension fund functions, as specified in the Council's constitution (Part 2).</p> <p>Roles of the officers with responsibility for the day to day running of the administering authority's and the committee's business is specified in the Council's constitution (Part 3). Declarations of interests are considered at the start of each committee meeting.</p> <p>The Pensions Committee is governed by specific terms of reference and is specified in the Council's constitution (Part 3), officer functions are also specified (Part 3).</p> <p>The delegation process for the day to day running of the pension scheme is specified in the Council's constitution (Part 3). The Council's constitution is available via the Council's website: www.havering.gov.uk, follow links council, democracy and council, constitution of the council or select the link below.</p> <p>Havering - Library folder - Constitution</p> <p>Roles of members, officers, external advisors and managers are specified in the SIP.</p> <p>Where possible, appointments made to the committee are based on consideration of relevant skills, experience and continuity.</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	7) The committee should ensure that it has appropriate skills, and is run in a way designed to facilitate effective decision making. It should conduct skills and knowledge audits of its membership at regular intervals. The adoption of a training plan and an annual update of training and development needs would represent good practice to demonstrate that the committee is actively managing the development of its members. A statement should appear in the annual report describing actions taken and progress made.	Structured training of elected members ensures that members are proficient in investment issues. The Council incorporates training within its forward looking business plan for the fund. Forward looking business plan is presented at the first Pensions Committee meeting of the financial year and reported in the Pension Fund Annual Report. Members agreed to completing the CIPFA's Knowledge and Skills self assessment of training needs. The training plan incorporates the outcomes of the self assessments. Following the establishment of a Local Pension Board (LPB) a joint training strategy will be developed that will incorporate training of Pension Committee members with LPB members, where appropriate.
	8) The committee review its structure and composition regularly and provide each member with a handbook containing committee's terms of reference, standing orders and operational procedures. It is good practice to establish an investment or other subcommittee to provide focus on a range of issues.	Council recommends that the membership of the Pensions Committee remains static for the life of their term in office to facilitate knowledge continuity and helps to maintain expertise within the committee. Elected members are provided with a copy of their roles and responsibilities. The committee has not established any subcommittees as the Pensions Committee focuses only on the activities of the pension fund.
	9) The committee may wish to establish subcommittees or panels to take responsibility for progressing significant areas of activity between meetings.	The Council does have a pension panel that exercises discretions within the LGPS and deals with the Internal Dispute Resolution Procedure regulations.
	10) The committee should obtain proper advice from suitably qualified persons, including officers. The CFO should assess the need for proper advice and recommend to the committee when such advice is necessary from an external advisor. The committee should ensure that it has sufficient internal and external resources to carry out its responsibilities effectively.	The Pensions Committee has appointed two advisors – Investment advisor and Actuarial advisor. The Pension Fund Accountant provides in house support to members. The Pension Committee is also supported by the Deputy Chief Executive Communities and Resources and the Council's pension administration and payroll sections. Internal and external resources are considered as part of the business plan.
	11) Allowances paid to elected members should be set out in a published allowances scheme and reviewed regularly.	Members of the Pensions Committee expenses are reimbursed in line with the Council's constitution (Part 6 -'Members Allowance Scheme')
	12) Employees appointed as member representatives should be allowed adequate time off from normal duties to attend meetings.	Havering Council's conditions of service permits special leave up to a number of specified days for employees who act as a member of a publicly elected body.
	13) Papers and related documentation should be clear and comprehensive, and circulated to members of the committee sufficiently in advance of the meeting.	Committee policy established and ensures that target dates for report clearance and agenda dispatch targets are met. Members receives agendas five working days prior to meeting date.

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	14) The CFO should be given the responsibility for the provision of a training plan and ensure that members are fully aware of their <u>statutory & fiduciary duties</u> .	The Training Plan is incorporated within the Business Plan and includes a log of training undertaken and attendance. Indicative future training plans are also included in the business plan.
	15) The CFO should ensure that a medium term business plan is created and contains: financial estimates for the investment and administration of the fund, appropriate provision for training, major milestones and issues to be considered, key targets and method of measurement. The business plan should be submitted to the <u>committee for consideration</u> .	The Business Plan is considered by the Pensions Committee and contains: financial estimates for the investment and administration of the fund, appropriate provision for training, major milestones and issues to be considered, key targets and method of measurement. The business plan also incorporates the training plan.
	16) Business plan to review the level of internal and external resources the committee needs to carry out its functions.	Medium term Business Plan is considered by the Pensions Committee. The business plan includes the outcome of an internal <u>review of resources, when appropriate</u> .
	17) Administrating Authorities are required to prepare, publish and maintain statements of compliance against a set of good practice principles for scheme governance and stewardship .	The Pension Fund prepares, publishes and maintains a statement of compliance against a set of good practice principles. The statement shows the extent to which the administrating authority complies with the principles and is reviewed annually.
	18) Administrating authorities are required to publish a Governance Compliance Statement in accordance with CLG guidance.	The Governance Compliance Statement is included within the Annual Report and is available on the Council's website: www.havering.gov.uk (under Council, democracy and elections, council budgets and spending, then Pension Fund) or select the link to the pensions page below. Pension Fund page
	19) The fund's Administration Strategy documents should refer to all aspects of the committee's activities relevant to the relationship between the committee and the employing authorities.	In line with regulations, the fund currently does not have an administration strategy, consideration of adopting this strategy is reviewed regularly.
2. Clear objectives (a) An overall investment objective (s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and these should be clearly communicated to advisors and investment managers.	The committee should: 1) demonstrate that in setting an overall objective of the fund it has considered: the fund's liabilities in the context of expected net contribution inflows; the adequacy of the fund's assets to meet its liabilities; the maturity profile of the fund's liabilities and its cash flow situation.	SUMMARY: FULLY COMPLIANT As part of the Valuation process consideration is given, with full consultation of the fund's actuary, to : the fund's liabilities in the context of the expected net contribution inflows; adequacy of the assets to meet its liabilities; maturity profile and its cash flows;

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	<p>2) consider the nature of membership profiles and financial position of the employers in the fund and decide, on the advice of actuaries, whether or not to establish sub funds.</p> <p>3) seek to include the achievement of value for money and efficiency in its objectives and all aspects of its operation</p> <p>4) with the CFO need to give consideration to the general and strategic impact of the funding levels and employer contribution rates on Council tax levels over time. The responsibility of the actuary to keep employer contribution rates as constant as possible over time is the primary means of achieving this.</p>	<p>membership profiles; financial position of the employers and whether or not to establish a sub fund;</p> <p>value for money;</p> <p>and the general and strategic impact of the funding levels and employer contribution rates on Council tax levels over time.</p> <p>The Fund's investment policies and objectives are laid out in the Funding Strategy Statement (FSS) and can be found on the Councils website, www.havering.gov.uk, council, democracy and elections, council budgets and spending, then pension fund or by selecting the link below. Pension Fund page</p>
	<p>5) consider its own appetite for risk and that of the employers in the fund when considering advice on the mix of asset classes and on active and passive management. Consider all assets classes currently available to members.</p>	<p>The Pensions Committee considers, in consultation with the fund's investment advisor, its own appetite for risk when setting the investment strategy and considers the mix of asset classes and weighs up the risk v return in considering whether the assets are managed on a passive or active basis. The Investment Strategy currently includes a mix of different asset classes which are <u>managed actively and passively</u>.</p>
	<p>6) take proper advice and should appoint advisors in open competition and set them clear strategic investment performance objectives. The committee should state how the advisors' overall performance will be measured and the relevant short, medium and longer term performance measurement framework. All external procurement should be conducted within the EU procurement regulations and the administering authority's own <u>procurement rules</u>.</p> <p>7) also demonstrate that it has sought proper advice, including from specialist independent advisors, as to how this might be expressed in terms of the expected or required annual return on the fund and how it should be measured against stated <u>benchmarks</u>.</p> <p>8) consider when it would be desirable to receive advice based on an asset/liability study and make appropriate arrangements.</p>	<p>The Pensions Committee appoints external advisors in line with EU procurement rules and the administering authorities own procurement rules. The committee states how performance is to be measured for the advisors and a service review is undertaken and reported to the committee annually.</p> <p>After full consultation with the Council's Actuary and Investment advisors a clear financial and therefore fully measurable investment objective for the fund has been set.</p> <p>The Pensions Committee commission the fund's investment advisor and actuary to undertake an asset/liability study as appropriate, when <u>compiling the investment strategy</u></p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Having Position/Compliance</u>
	9) evaluate the split between equities and bonds before considering any other asset class. It should state the range of investments it is prepared to include and give reasons why some asset classes may have been excluded. Strategic asset allocations decision should receive a level of attention (and, where relevant, advisory or management fees) that fully reflects the contribution they can make towards achieving the fund's investment objectives.	All asset classes were considered as part of the investment strategy review process and the range of investments are included in the Fund's SIP.
	10) have a full understanding of the transaction-related costs incurred, including commissions, and have a strategy for ensuring that these costs are properly controlled.	Transaction costs are disclosed in the statement of accounts.
	11) Understanding transaction-related costs should be a clear consideration in letting and monitoring a contract and where appropriate, independent and expert advice should be taken, particularly in relation to transition management.	Understanding transaction costs are considered and where appropriate expert advice would be sought. Costs are considered in the decision making process when any changes to the investment strategy are under discussion.
	12) The use of peer group benchmarks should be for comparison purposes only and not to define the overall fund objective.	The committee uses the services of WM Performance Measurers for independent monitoring of performance against benchmarks. Peer group benchmark performance is used for comparison purposes only.
<p data-bbox="100 730 145 893" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 65</p> <p data-bbox="47 778 613 882">3. Risk and liabilities</p> <p data-bbox="47 882 613 1002">a) In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p data-bbox="47 1002 613 1209">b) These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>		SUMMARY: FULLY COMPLIANT
	The committee should:	
	1) set an overall investment strategy for the fund that: represents its best judgement of what is necessary to meet the fund's liabilities given its understanding of the contributions likely to be received from employer (s) and employees; takes account of the committee's attitude to risk, and specifically its willingness to accept underperformance due to market conditions.	A full investment strategy review was carried out following the actuarial valuation results in 2007 and reassessed following the 2010 Valuation results. The Fund has formulated its own asset allocation based on identified liabilities particular to the fund. The Fund's investment strategy was adopted having considered the members attitude to risks and are covered in the SIP and FSS.
	2) ensure that its investment strategy is suitable for its objectives and takes account of the ability to pay of the employers in the fund.	
	3) consider the extent to which the cash flow from the fund's assets should attempt to match the liabilities and the relevant timing. It should also consider the volatility of returns it is prepared to accept.	

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	<p>4) be aware of its willingness to accept underperformance due to market conditions. If performance benchmarks are set against relevant indices, variations in market conditions will be built in, and acceptable tolerances above and below market returns will be stated explicitly. Benchmarks are likely to be measured over <u>periods of up to seven years.</u></p> <p>5) believe that regardless of market conditions, on certain asset classes, a certain rate of return is acceptable and feasible.</p> <p>6) state whether a scheme specific benchmark has been considered and established and what level of risk, both active and market risk, is acceptable to it.</p>	<p>The Fund in aggregate has a liability related benchmark (strategic benchmark). However for individual mandates, the fund managers have a specific benchmark (tactical benchmark) and a performance target that may be based on broad indices or composites. The targets are shown in the Fund's SIP.</p> <p>Specific benchmarks are considered as part of any investment strategy review and monitored on an on-going basis.</p>
	<p>7) receive a risk assessment in relation to the valuation of its liabilities and assets as part of the triennial valuations. Where there is reasonable doubt during performance monitoring of the fund about valuation of assets and liabilities the CFO should ensure that a risk assessment is reported to the committee, with any appropriate recommendations for action to clarify and/or <u>mitigate the risks.</u></p> <p>8) at the time of the triennial valuations, analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. The committee should also ask this question of its actuaries and other advisors during <u>discussions on performance.</u></p> <p>9) use reports from internal and external auditors to satisfy itself about the standards of internal control applied to the scheme to its administration and investment operations. Ensuring effective internal control is an important responsibility of the CFO.</p> <p>10) The fund's Statement of Investment Principles should include a description of the risk assessment framework used for potential and existing investments.</p> <p>11) Objectives for the overall fund should not be expressed in terms that have no relationship to the fund's liabilities, such as performance relative to other pension funds, or to a market index.</p>	<p>The Fund receives a risk assessment as part of the Valuation process with full consultation of the Fund's Actuary. Performance is monitored and reported to the committee on a quarterly basis and includes recommendations for action where appropriate. Liabilities are considered as part of the triennial valuations and mid valuations, however cash flow is monitored monthly and reported to committee quarterly.</p> <p>The external auditors opinion is included in the Pension Fund Annual Report. Internal control audits for pensions are undertaken frequently by internal auditors and are reported to Audit Committee. Any identified issues would be reported to the Pensions Committee. Audited Internal Control reports are submitted by the Investment Managers and checked by officers for matters of concerns.</p> <p>The Pension Fund's Statement of Investment Principles includes a description of the risk assessment framework.</p> <p>Objectives for the overall fund are set having regard to: the advisability of investing fund money in a wide range of investments; the suitability of particular investments and types of investments and the results of asset/ liability modelling.</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Having Position/Compliance</u>
	12) The Annual Report of the pension fund should include an overall risk assessment in relation to each of the fund's activities and factors expected to have an impact on the financial and reputational health of the fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the committee, together with necessary actions to mitigate risk and assessment of any residual risk.	The Pension Fund Annual Report includes an overall risk assessment in relation to each of the fund's activities and includes a copy of the Risk Register. This will be reported periodically to the Pensions Committee.
4. Performance assessment a) Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors b) Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	<p>Investments</p> <p>The committee should:</p> <p>1) explicitly consider, for each asset class invested, whether active or passive management would be more appropriate; where it believes active management has the potential to achieve higher returns, set both targets and risk controls that reflect this, giving managers the freedom to pursue genuinely active strategies; if setting limits on divergence from an index, ensure that they reflect the approximations involved in index construction and selection.</p> <p>2) explicitly consider, in consultation with its investment manager (s), whether the index benchmarks are appropriate, and in particular, whether the construction of the index creates incentives to follow sub-optimal investment strategies</p> <p>3) Where active management is selected, divergence from a benchmark should not be so constrained as to imply index tracking (i.e. passive management) or so wide as to imply unconstrained risk.</p> <p>4) Performance targets in relation to benchmark should be related to clear time periods and risk limits and monitoring arrangements should include reports on tracking errors.</p>	<p>SUMMARY: FULLY COMPLIANT</p> <p>As part of any investment strategy review the Pension Fund considered and adopted its own asset allocation in full consultation with the Fund's investment advisor, it considered and has adopted active and passive management and appropriate targets and risk controls set.</p> <p>Benchmarks are set in agreement with the fund's investment manager (s)</p> <p>Performance monitoring reports are presented to the committee quarterly and covers the latest quarter, rolling one year and three year performance. Where appropriate fund managers will report tracking errors. Each Fund Manager presents their performance reports to the committee on alternate quarters, on each other alternate quarters they meet with officers. Exceptions to this are the pooled managers and the absolute return manager who reports to officers and the committee once a year.</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Having Position/Compliance</u>
	5) Although returns will be measured on a quarterly basis a longer time frame (three to seven years) should be used to assess the effectiveness of the fund management arrangements and review the continuing compatibility of the asset/liability profile.	The asset /liability profile is considered at each triennial valuation.
	6) Investment activity in relation to benchmark should be monitored regularly to check divergence and any impact on overall asset allocation strategy.	In addition to officer reports, the investment advisor monitors and reports quarterly to the Pension Committee on performance, personnel, process and organisational issues of fund managers. The fundamental risk of the investment strategy not delivering the required – net of fee- return is measured quarterly in terms of the <u>overall financial objective</u> .
	7) Returns should be obtained from specialist performance agencies independent of the fund managers.	The Pension Fund uses the services of WM performance measurers who independently report against the overall fund and individual manager returns on a quarterly basis. WM returns are monitored against fund manager returns and discrepancies are investigated. WM also produce an annual performance report.
	8) Investment manager returns should be measured against their agreed benchmark and variations should be attributed to asset allocation, stock selection, sector selection and currency risk, all of which should be provided by an independent performance <u>measurement agency</u>	Each quarter, WM measure fund manager returns against their agreed benchmarks and variations are attributed to asset allocation and stock selection. Relative risk is also measured and the degree of the manager deviating from the benchmark is included in the WM <u>report</u> .
	9) In addition to the overall fund returns the return achieved in each asset class should be measured so that the impact of different investment choices can be assessed (e.g. equities by country, fixed interest by country and type etc.).	The Pension Fund does not measure fund returns on an asset class basis because the focus is on how individual manager performance contributes to the overall fund performance. However the weightings in each asset class are monitored and reported.
	10) The use of peer group benchmarks (such as CIPFA/WM) may not be appropriate for directing a mandate of a manager insofar as they infer a common asset liability structure or investment requirement. Such benchmarks can be used for comparative <u>information</u> .	WM performance returns against peer group benchmarks are used for comparison purposes only.
	11) The mandate represents the instruction to the manager as to how the investment portfolio is to be managed, covering the objective, asset allocation, benchmark, flexibility, risk parameters, performance targets and measurement timescales.	The mandate agreed with the investment manager includes how it is to be managed and covers the objective, asset allocation, benchmark, flexibility, risk parameters, performance targets and measurement timescales.
	<u>Advisors</u>	

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Having Position/Compliance</u>
	<p>12) The committee should devise a performance framework against which to measure the cost, quality and consistency of advice received from its actuaries. It is advisable to market test the <u>actuarial service periodically</u>.</p> <p>13) It is necessary to distinguish between qualitative assessments (which are subjective) and quantitative reviews which require the compilation of series of data and are therefore more long term by nature.</p> <p>14) Consultants should be assessed on a number of issues including the appropriateness of asset allocation recommendations, the quality of advice in choosing benchmarks and any related performance targets and risk profiles. The quality and appropriateness of the investment managers that are recommended and the extent to which advisors are proactive and consistent in recommending subsequent changes.</p> <p>15) When assessing managers and advisors it is necessary to consider the extent to which decisions have been delegated and advice heeded by officers and elected members</p>	<p>Annual service assessments are undertaken for the services provided the Fund's actuary and advisors. They are measured against a set of criteria adopted by the Pension Committee.</p>
	<p>Decision-making bodies</p> <p>16) The process of self assessment involves both officers and members of the committee reviewing a range of items, including manager selection, asset allocation decisions, benchmarking decisions, employment of consultants and best value outcomes;</p> <p>17) the objective of the reviews would be to consider whether outcomes were as anticipated, were appropriate, or could have been improved.</p> <p>18) The committee should set out its expectations of its own performance in its business plan. This could include progress on certain matters, reviews of governance and performance and attendance targets. It should include standards relating to administration of the committee's business such as:</p> <p>19) attainment of standards set down in CIPFA's knowledge and skills framework and code of practice; achievement of required training outcomes; achievement of administrative targets such as dates for issuing agendas and minutes.</p> <p>20) This assessment should be included in the fund's Annual Report.</p>	<p>Pensions Committee performance is reviewed as part of the Annual Report. Performance can be measured by the success or otherwise of the strategy put in place and the individual performance of investment managers appointed by the committee, and full compliance with governance requirements including attendance at all training sessions.</p> <p>The Business Plan sets out the expectations of the committee.</p> <p>Achievement of training outcomes are self assessed by the Pensions Committee. Targets such as dates for issuing agendas and minutes are strictly adhered to. Achievement of administrative targets are reported in the Pension Fund Annual report.</p> <p>The assessment of the committee expectations and training are included in the Annual Report</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
<p>5. Responsible ownership</p> <p>Administrating authorities should:</p> <p>a) recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code</p> <p>b) include a statement of their policy on responsible ownership in the statement of investment principles</p> <p>c) report periodically to scheme members on the discharge of such responsibilities.</p>	<p>1) Policies regarding responsible ownership must be disclosed in the statement of investment principles which must be contained the annual report.</p> <p>2) Responsible ownership should incorporate the committee's approach to long term responsible investing including its approach to consideration of environmental, social and governance issues.</p> <p>3) The committee should discuss the potential for consideration of environmental, social and governance issues to add value, in accordance with its policies on responsible investing, when selecting investment managers and in discussing their subsequent performances.</p> <p>4) Authorities may wish to consider seeking alliances with either other pension funds in general, or a group of local authority pension funds, to benefit from collective size where there is a common interest to influence companies to take action on environmental, social and governance issues e.g. LAPFF.</p> <p>5) It is important to ensure that through the terms of an explicit strategy that an authority's policies are not overridden, negated or diluted by the general policy of an investment manager.</p> <p>6) Where the exercise of voting action is separated from the investment manager, authorities should ensure that the appropriate investment decision is taken into account by reference to those appointed to manage the investments. Authorities may use the services of external voting agencies and advisors to assist compliance in engagement. Measuring effectiveness is difficult but can only be achieved by open monitoring of action taken</p> <p>7) The committee should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company that is acceptable within the committee's policy.</p>	<p>SUMMARY: PARTIALLY COMPLIANT</p> <p>Policies on Social Environmental and ethical considerations are disclosed in the SIP, a copy of which is also included in the Pension Fund Annual Report.</p> <p>The Pension Committee has considered socially responsible investments and the view has been taken that non-financial factors should not drive the investment process to the detriment of the financial return of the fund.</p> <p>Over the long term, the Pensions Committee requires the investment mangers to consider, as part of the investment decisions, socially responsible investment issues and the potential impact on investment performance.</p> <p>The SIP is distributed to fund managers so that they are aware of the overall strategy. Fund managers are included in the consultation process if there are major changes.</p> <p>Fund managers have been given delegated authority to vote in accordance with their proxy voting policies. Fund Managers report voting activity quarterly and made available for the Pensions Committee to review.</p> <p>Consideration of compliance will need to be given for future appointments. For existing investment managers, where applicable they are compliant or work is well underway to becoming compliant.</p>

Principle	Best Practice Guidance (CIPFA)	Havering Position/Compliance
	<p>8) The committee should engage with, and consider the implications of, the UK Stewardship Code on a comply or explain basis</p> <p>9) The committee should also ensure that external partners in the investment chain (advisors, consultants, investment managers, etc.) adopt the UK Stewardship Code insofar as it relates to their activities on behalf of the fund.</p> <p>10) The United Nations Environment Programme Finance Initiative (UNEP FI) has published Principles for Responsible Investment (UNPRI) and has encouraged asset owners and asset managers to sign up and commit to the six principles and regularly assess themselves against a comply or explain framework.</p>	<p>The Committee has in the past accepted the principles laid down in the ' Institutional Shareholders Statement of Responsibilities and the policy is set out in the current version of the SIP. The UK Stewardship Code which has superseded this will need to be <u>considered by the committee.</u></p> <p>The UK Stewardship Code is directed to institutional investors (asset owners and asset managers with equity holdings in UK listed companies) and should apply on a comply-or-explain basis. Currently all of the funds asset managers and service providers have adopted the code.</p> <p>The UNPRI is voluntary and applies on a comply or explain basis. All but two of the fund's asset managers have adopted the code. One of these managers is in the advanced stage of completing the documentation and the other manager is actively considering joining in 2016.</p>
<p>6. Transparency and reporting</p> <p>Administrating authorities should:</p> <p>a) act on a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives</p> <p>b) provide regular communication to scheme members in the form they consider most appropriate.</p>	<p>The committee should:</p> <p>1) ensure that its Governance Compliance Statement is maintained regularly. It should actively challenge any non- compliance and be very clear about its reasons for this and be comfortable with the explanations given.</p> <p>2) have a comprehensive view of who its stakeholders are and the nature of the interests they have in the scheme and the fund. There should be a clearly stated policy on the extent to which stakeholders will take a direct part in the committee's functions and those matters on which they will be consulted.</p> <p>3) build an integrated approach to its own governance and to communicating this and all other aspects of its work to its stakeholders.</p>	<p>SUMMARY: FULLY COMPLIANT</p> <p>The Governance Compliance Statement is considered and reviewed by the Pensions Committee on an annual basis. Any non-compliance is reported and necessary actions included.</p> <p>The Governance Compliance Statement includes a statement on the extent to which stakeholders will take a direct part in the Pensions Committee's functions. Stakeholders are consulted and notified on major strategic and legalisation matters.</p> <p>The work of the Pensions Committee is publicly available on the Councils website at www.havering.gov.uk, follow links for council & democracy, committees, then pension committee. There is also a dedicated page on the Council's website for the Pension Fund under the page for council and democracy. How the work is communicated to its stakeholders is included in the fund's Communication Strategy, select link below to see the pensions page on the councils website.</p> <p>Pension Fund page</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	<p>4) seek examples of good practice from the published reports and communication policies of other pension funds. It should also share examples of its own good practice. The full range of available media should be considered and used as appropriate.</p>	<p>Havering has undertaken partnership working with the London Pension Fund Authority who have developed a website to enable pension sharing best practices across the London Boroughs at www.yourpension.org.uk. Havering Pension Fund is also members of the CIPFA Pensions Network and the London Pension Fund Forum which are good sources of sharing best practices.</p>
	<p>5) compare regularly its annual report to the regulations setting out the required content and, if the report does not fully comply with the requirements, should ensure that an action plan is produced to achieve compliance as soon as possible.</p>	<p>The Pension Fund Annual Report is prepared in accordance with Regulation 57 of the LGPS Regulations 2013 which applied from 1 April 2014. It is also prepared in accordance with guidance published by CIPFA/PRAG in August 2014.</p>
	<p>6) The Funding Strategy (FSS) , the Statement of Investment Principles (SIP) and the Governance Compliance Statement are core source documents produced by the fund to explain their approach to investments and risks.</p>	<p>The FSS, the SIP and the Governance Compliance Statement are available on the Council's website at www.havering.gov.uk and are included on a dedicated page for the Pension Fund under the link for council and democracy, or select the link below. This page also includes the Pension Fund's Communication Strategy .Where applicable reference to all these documents is made in other publications. Pension Fund page</p>
	<p>With regard to the FSS and SIP, they should:</p> <p>7) contain delegation process and the roles of officers, members, external advisors and managers should be differentiated. The process by which the overall fund allocation process has been determined and include reference to assumptions as to future investment returns; mandates given to managers should describe fees structures, scale of charges, whether ad valorem or fixed, performance element built in, stating the implications for risk control; copies should be made available and its availability made clear in publications.</p>	<p>The policies shows the delegation process and the roles of officers, members, external advisors and how managers are differentiated; the process by which the fund allocation has been determined and includes references to assumptions on future returns; mandates given to each manager are described, including fees; and implications for risk control.</p>
	<p>With regard to the Governance Compliance Statement it must include:</p>	
	<p>8) information on whether administrating authority delegates, the whole or part function; if it does delegate must state frequency of meetings, terms of reference, structure and operational procedures. It must also include whether the committee includes representatives of employing authorities and if so, whether they have voting rights.</p>	<p>The Governance Compliance Statement includes information on the administering authorities delegation process and functions delegated to the Pensions Committee. It also includes the frequency of meetings, terms of reference, structure and operational procedures.</p>

<u>Principle</u>	<u>Best Practice Guidance (CIPFA)</u>	<u>Havering Position/Compliance</u>
	<p>9) details of the extent to which it complies with CLG guidance. Where the statement does not comply, reasons must be given. A copy of the statement must be sent to the CLG.</p>	<p>The Governance Compliance Statement also includes a table which shows the extent of compliance with CLG guidance and a copy has been sent to the CLG.</p>
	<p>With regard to the fund's Communication Strategy it must:</p>	
	<p>10) set out the administering authority's policy on: the provision of information and publicity about the scheme to members, representatives of members and employing authorities; the format, frequency and method of distributing such information or publicity; the promotion of the scheme to prospective members and their employing authorities.</p>	<p>The Communication Statement includes: the administering authorities policy on provision of information and publicity about the scheme, it also includes the format, frequency and method of distribution of such information.</p>

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**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

**REVIEW OF GOVERNANCE
COMPLIANCE STATEMENT**

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

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Policy context:

Regulation 55(2) of the LGPS Regulations 2013 requires an administrative authority to keep this document under review

Financial summary:

No financial implications

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

In line with the Local Government Pensions Scheme Regulations (LGPS) 2013 (as amended), and LGPS (Governance) Regulations 2015 the London Borough of Havering as an administering authority has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

Since the 1 April 2008 it has been a requirement for the administering authority to prepare and publish a report outlining the extent of compliance against a set of best practice principles published by the Department of Communities and Local Government (DCLG).

This report sets out the pension fund's draft Governance Compliance Statement for November 2015 and highlights where changes may be required.

RECOMMENDATIONS

That the committee:

Consider and agree any issues as needing to be amended in the Governance Compliance Statement (**Appendix A**).

REPORT DETAIL

1. **Background**

1.1 **LGPS Regulations**

The LGPS Regulations 2013 (55) (as amended) and the LGPS (Governance) Regulations 2015 states that an Administering Authority must prepare a written statement setting out;

- 1) (a) Whether the authority delegates its functions to a committee or an officer of the authority;
 - (b) If the authority does so –
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee meetings,
 - (iii) whether such a committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights
 - (c) the extent to which a delegation, or in the absence of a delegation, complies with guidance given by the Secretary of State, and if it does not comply, the reasons for not complying; and
 - (d) details of the terms, structure and operational procedures relating to the establishment of a Local Pension Board.
- 2) An administering authority has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

- 3) Before revising a statement an administering authority must consult such persons as it considers appropriate
- 4) The administering authority must publish its statement and any revised statement.

1.2 LGPS (Governance) Regulations 2015 - Local Pension Boards: establishment, Regulation 106.

- 106** (1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—
- (a) to secure compliance with:
 - (i) these Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme (a), and
 - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
 - (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme

The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

1.3 LGPS (Governance) Regulations 2015 -Scheme Advisory Board (SAB)

A Local Government Pension Scheme Advisory Board has formerly been established from 1 April 2015 (previously known as the Shadow Scheme Advisory Board). The function of the Local Government Pension Scheme Advisory Board is to provide advice to the Secretary of State on the desirability of making changes to the Scheme and also has the function of providing advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme and any connected scheme and their pension funds.

The expenses of the Local Government Pension Scheme Advisory Board are to be treated as administration costs of the Scheme and are to be defrayed by the administering authorities within the Scheme in such proportions as shall be determined by the Board.

2) Governance Compliance Statement (Appendix A)

The Governance Compliance Statement as set out in **Appendix A** has been prepared and revised in line with the best practice principles published by the DCLG in 2008 and includes a compliance table which shows how the pension fund is compliant against best practice standards and if it does not, state the reasons for not complying.

The Council agreed changes to its constitution on the 25 March 2015 to establish the Havering Pension Board and the Governance Compliance Statement has now

been updated to reflect the regulatory requirements (as shown in section 1.1 1) (d)).

In line with regulations before revising this statement an administering authority must consult. The other employers in the fund were notified of the intended revisions to the Governance Compliance Statement on the 5 October 2015 and comments were invited by no later than the 29 October 2015. No views or comments were received.

3) Key points for the committee to consider:

- a) **Appendix A** sets out the authority's position on compliance against the set of best practice principles.

Listed below is the area where the authority is currently not fully compliant. **It should be noted that the authority does not have to be fully compliant but where it is not the authority has 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 have previously considered whether or not to employ the services of an independent professional observer to participate in the governance arrangements and decided against it on the basis that the current monitoring arrangements are sufficient for the size of the fund.*
- ii) **Other changes – please refer to Appendix A, section 2.** *Changes reflect amendments made to new committee members.*
- iii) **Other changes** - The Administering Authority must prepare a written statement setting out the details of the terms, structure and operational procedures relating to the local pension board established by 1 April 2015. The Governance Compliance statement has now been updated to reflect that Council agreed the establishment of a Local Pension Board on the 25 March 2015.
- b) The compliance statement will be amended if necessary after the committee meeting and will be published on the Council's website. This updated version will also be included in the 2015/16 Pension Fund Annual Report.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising directly from this report as the review of the Governance Compliance Statement will ensure that the London Borough of Havering as the administering authority is compliant with regulations.

However, the expenses of a Local Pension Board, mentioned in section 1, paragraph 1.2 are included as part of the administration costs for the relevant LGPS fund. This means that the administering authority will be able to require employers to contribute to those expenses under existing LGPS regulations.

The expenses of the scheme advisory board, mentioned in section 1 paragraph 1.3, are to be viewed as part of administrating costs for the LGPS as a whole and are met by the administrating authorities. Each authority's share will be based on the Boards approved budget and the split will be based on the number of members in each authority's fund.

The impact of meeting the above costs is likely to impact the employer contributions in future valuations.

Legal implications and risks:

The relevant legislation is set out in the main report.

The departures from guidance have been explained and are set out at paragraph 3 and given that these are not new issues and there have been no comments in response to the consultation there is minimal legal risk in leaving the statement intact in that respect, although it is open to the Pensions Committee to suggest any changes if they think this is appropriate.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

In line with the Local Pensions Scheme Regulations (LGPS) 2013, Regulation 55(2), the Council is required to prepare and publish a report outlining the extent of compliance against a set of best practice principles published by DCLG. In the areas in which the Council has not met best practice, as outlined in section 3, there are no equality implications or risks for staff or local residents.

BACKGROUND PAPERS

Background Papers List
LGPS Regulations



Havering
LONDON BOROUGH

PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

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LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

1. STRUCTURE AND ROLE OF MEMBERS

The Council is the Administering Authority of the Havering Pension Fund (the Fund). The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund. The Council agreed changes to its Constitution on the 25 March 2015 to establish the Havering Local Pension Board and adopt their Code of Conduct and Conflict of Interest policies.

Day to day management of the Fund is delegated to the Deputy Chief Executive Communities and Resources

1.1 Role of Pensions Committee

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;
- Authorise staff to invite tenders and award contracts for actuaries, advisors and fund managers and in respect of other related investment matters;
- To appoint and review the performance of advisors and investment managers for pension fund investments;
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme.

There is a code of conduct in place which includes a process that considers potential conflicts of interest, with clearly identified steps on how to report or act should a conflict occur. All members are required to declare any interests in relation to the Pension Fund or items on the agenda at the start of each meeting.

1.2 Role of Local Pension Board (the Board)

The functions of this board are as follows:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme connected to it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions regulator;

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

- Such other matters as the scheme regulations may specify.

All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

The full version of the Board's Terms of reference can be found on the Havering pension fund website: www.Yourpension.org.uk.

2. MEMBERSHIP AND REPRESENTATION

2.1 Pensions Committee

The membership of the Pensions Committee reflects the political balance of the Council and consists of seven councillors as listed below:

Conservative Group (3)	Resident's Group (2)	East Havering Resident's Group (1)	UKIP (1)
John Crowder (Chair) Melvin Wallace Roger Westwood	John Mylod * Stephanie Nunn	Clarence Barrett	David Johnson (Vice-Chair)

*From June 2015 Cllr John Mylod was replaced by Cllr Ray Morgon - Residents Group

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 may appoint one representative, entitled to attend the meetings of the Pensions Committee on their behalf. Voting rights were assigned to this representative at a Council meeting on the 28 March 2012.

Longevity in 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, unless exceptional circumstances require a change. Furthermore substitute members are expected to have also been trained. The Council's constitution was amended on the 28 March 2012 to include a stipulation that if a member does not undertake the required training within six months of appointment than that member shall not partake in the decision making of the Committee until their training has been completed.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

2.2 Local Pension Board

The Havering Pension Board consists of four members as follows:

Two Employer representatives - shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

Two Scheme Member Representatives - shall either be scheme members or have capacity to represent scheme members of the Fund. Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Chair - Chair is to be appointed by the employer and scheme member representatives of the Board from amongst their own number on a rotating basis with the term of office shared between an employer and a scheme member representative on an equal basis.

Each employer representative and scheme member representative appointed will serve for a fixed four year period to ensure that expertise is maintained within and members can be fully trained.

Each member of the Board will have one vote but it is expected the Board will as far as possible reach a consensus.

3. GUIDANCE AND MONITORING

3.1 Pensions Committee

The Pensions Committee is supported by the Deputy Chief Executive Communities and Resources and the Director of Legal and Governance (oneSource). The Director of Exchequer and Transactional Services (oneSource) has the responsibility to administer the Council's Pension Fund. Members also receive briefings and advice from the Fund's investment advisor at each committee meeting.

The Pensions Committee obtains and considers advice from the authority's officers, and as necessary from the fund's appointed professional advisor, actuary and performance measurers who also attend the meetings as and when required.

Investment 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 exceptions to this procedure are the pooled managers who will attend two

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

meetings per year, one with Officers and one with the Pensions Committee. However if there are any specific matters of concern to the Committee relating to the managers performance, arrangements will be made for additional presentations.

3.2 Local Pension Board

Officers will attend the Board meetings and provide support and advice as and when required. A budget has been allocated for the Board to fulfil its tasks and this budget includes an allocation for professional advice.

4. REIMBURSEMENT

4.1 Pensions Committee

Members expenses are reimbursed in line with the Council's constitution as laid down in part 6 'Members Allowance Scheme'.

4.2 Local Pension Board

Board members will receive an allowance, at the same rate paid to co-opted members' for other committees, per scheduled meeting attended. No payment will be made for nonattendance.

Reasonable travelling expenses for training will be reimbursed.

5. TRAINING

5.1 Pensions Committee

An annual training plan is submitted to the Pensions Committee for approval. Committee Members receive in depth training on a wide range of topics. 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.

The Fund uses the CIPFA's Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. In addition to the cyclical training that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Associated training and development is linked to the pensions committee meeting cyclical coverage

5.2 Local Pension Board

A joint training strategy is currently being developed and will be presented to the Pensions Committee and the Board during 2015/16.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

6. MEETINGS

7.1 Pensions Committee

The Pension Committee meets five times a year and occasionally holds extra meetings if required. Three Members constitute a quorum.

7.2 The Local Pension Board

The Board will hold five meetings per year, approximately two weeks after the Pensions Committee meeting, with one Annual meeting being held at the beginning of the committee cycle. Three members constitute quorum. Advisors and officers do not count towards the quorum.

7. SCOPE

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 a 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.
- The Funding Strategy Statement identifies the measures in place to control the key risks identified as financial (including investment risk), demographic, regulatory and governance.
- The Risk Register identifies the key risks that the Pension Fund may face and the measures that can and have been put in place to mitigate those risks

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

- The Pension Committee periodically sets out a business plan for the year.
- 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.

8. ACCESS AND PUBLICATION

8.1 Pensions Committee

Details of the Pension Committee meetings are published on the Council's website, seven days prior to the meeting date, together with agendas and minutes. All members have equal access to papers. The meetings of the Pension Committee are held at the Town Hall and are open to the public.

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

An Annual Pension Fund Report and Accounts is published on the Council's web-site, reporting on the activities and investment performance of the fund. The report also includes the meetings held and details of matters considered.

8.2 Local pension Board

Details of the Local Pension Board meetings are published on the Council's website, seven days prior to the meeting date, together with agendas and minutes. All board members have equal access to papers. The meetings of the Board are held at the Town Hall during office hours and are open to the public.

9. REVIEWING AND UPDATING

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

10. COMPLIANCE TABLE

A table is appended to this document and shows the extent of compliance with guidance given by the Secretary of State.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	PRINCIPLE	HAVERING POSITION
Page 89	A. <u>Structure</u> a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance. Duties and terms of reference are laid out in the Council's constitution (Part 3) and states that management of the pension fund assets lies with the Pensions Committee. Day to day management of the Pension Fund is delegated to the Deputy Chief Executive Communities and Resources. Select link to Havering Website to read the Council's constitution: Havering Constitution Section 1 the Governance Compliance Statement refers.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the committee.	Full compliance. Admitted/Scheduled bodies may appoint one representative to attend the committee meetings. The staff Trade Unions may appoint two representatives to attend and speak at meetings. There is no secondary committee. Section 2 of the Governance Compliance Statement refers.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No secondary committee or panel has been established.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No secondary committee or panel has been established.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

PRINCIPLE	HAVERING POSITION
<p>B <u>Committee Membership and Representation</u></p> <p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis) 	<p>i) Full compliance - A position has been established for Admitted/Scheduled bodies' representative to be a member of the Pensions Committee and is currently occupied by the bursar from St Edwards Church of England School. Supplementary to the above stakeholders are consulted for their views with regard to various policies and are directed to papers and reports held on the Council's website.</p> <p>ii) Full compliance – via trade union representation</p> <p>iii) Non-compliance – The Pension Committee have considered this and decided that it is not appropriate to appoint an independent observer on the basis that the current monitoring arrangements are sufficient for the size of the fund.</p> <p>iv) Full compliance – The Fund has appointed an Investment Advisor, an Actuary and Performance Measurers, who attend meetings as and when required.</p> <p>Sections 2 and 3 of the Governance Compliance Statement refers.</p>

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

PRINCIPLE	HAVERING POSITION
<p>C <u>Selection and role of lay members</u></p> <p>a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>Full compliance. Duties and terms of reference are laid out in the 'Council's constitution and states that management of the pension fund lies with the Pensions Committee.</p> <p>Sections 1 and 2 of the Governance Compliance Statement refer.</p>
	<p>Full compliance. Declarations of interest are always an agenda item at the Pension Committee meetings.</p> <p>Section 1 of the Governance Compliance Statement refers.</p>
<p>D <u>Voting</u></p> <p>a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>Full compliance. The Governance Compliance Statement is clear about voting rights</p> <p>Section 2 of the Governance Compliance Statement refers.</p>
<p>E <u>Training/Facility time/Expenses</u></p> <p>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p>Full compliance. Member's expenses and allowances are laid out in the Council's Constitution (Part 6). The Business Plan includes the policy on training. Sections 4 and 5 of the Governance Compliance Statement refer.</p>

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

PRINCIPLE	HAVERING POSITION
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance. As above.
c. That the administrating authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	Full compliance. As above. Training is laid out in the Annual Business Plan/Work of the Committee. The Business Plan is agreed by the Pensions Committee and all committee members and nominated substitutes are offered training. A training log is maintained and records attendance and training undertaken. Section 5 of the Governance Compliance Statement refers.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	PRINCIPLE	HAVERING POSITION
F	<p><u>Meetings (frequency/quorum)</u></p> <p>a. That an administering authority's main committee or committees meet at least quarterly</p>	<p>Full compliance.</p> <p>The Pension Committee meets five times a year and occasionally holds extra meetings if and when required.</p> <p>Section 6 of the Governance Compliance Statement refers.</p>
	<p>b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the committee sits.</p>	<p>No secondary committee or panel has been established.</p>
	<p>c. That an administration authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which interests of key stakeholders can be represented.</p>	<p>Full compliance.</p> <p>Membership on the Pensions Committee includes a representative to serve all Admitted/Scheduled bodies.</p> <p>The current forums for which stakeholders interests can be represented are:</p> <ul style="list-style-type: none"> • Through invitation to committee meeting • Written correspondence – employers are invited for comments via letters and email as part of any consultation process, including proposed policy changes. Havering is one of the partnerships working with the London Pensions Fund Authority, who have produced a website for scheme members to use. Factsheets and scheme communications are also published on this website along with contact details at Havering for members to contact with their views.

LONDON BOROUGH OF HAVERING PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

	PRINCIPLE	HAVERING POSITION
G	<p><u>Access</u></p> <p>a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</p>	<p>Full compliance. Committee papers are sent to members at least seven days prior to the meeting and non confidential papers are published on the Council's website.</p> <p>Section 8 of the Governance Compliance Statement refers.</p>
H Page 94	<p><u>Scope</u></p> <p>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements</p>	<p>Full compliance. The Committee already considers a wider range of pension issues.</p> <p>Section 7 of the Governance Compliance Statement refers.</p>
I	<p><u>Publicity</u></p> <p>a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</p>	<p>Full compliance. Governance arrangements are published on the Council's website and comments are invited from stakeholders.</p> <p>Section 8 of the Governance Compliance Statement refers.</p>

PENSIONS COMMITTEE	Report
24 November 2015	

Subject Heading:

KNOWLEDGE AND SKILLS TRAINING STRATEGY

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
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Policy context:

Debbie.ford@onesource.co.uk
To meet LGPS Regulations and Best Practice Guidance

Financial summary:

Training costs will be a direct charge to the Pension Fund

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

- Havering will be clean and its environment will be cared for
- People will be safe, in their homes and in the community
- Residents will be proud to live in Havering

SUMMARY

This report proposes that the Pensions Committee agree to establish a Training Strategy for the Havering Pension Fund (**Appendix A**) produced in conjunction with Hymans Robertson.

The Committee has previously agreed many of the values outlined in the Training Strategy as part of its Business Plan but the establishment of an overall training strategy is proposed to assist the Pensions Committee and Local Pension Board

(LPB) members in achieving its training objectives and to introduce a means of measuring progress and achievements.

It was always the plan, to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.

RECOMMENDATIONS

That the committee:

- 1 Consider and approve the Havering Pension Fund Training Strategy (**Appendix A**).
- 2 Approve the basis for measuring progress and achievement (**Appendix B**).
- 3 Note that it is the responsibility of each committee member, board member and officers to adhere to the training strategy and maintain the required level of knowledge and skills

REPORT DETAIL

Background

1) Regulation - Pensions Committee

- a) The Local Government Pension Scheme (LPGS) (Management and Investment of Funds) Regulations 2009 regulations, paragraph 12(3) states that administrating authorities must prepare and publish a statement which states the extent to which an administrating authority complies or does not comply with guidance issued by the Secretary of State. Where it does not comply it must state reasons for non-compliance. (This is known as the Myner's principles).
- b) The first of these principles, Effective decision making, requires that Administrating authorities should ensure that:
 - Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
 - those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest

- c) Guidance as issued from the Secretary of State will be the guidance as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in January 2010 called 'Pensions Finance Knowledge and Skills Framework' and then later formalised into a Code of Practice in October 2011, effective from 1 April 2012. This Code of Practice was updated in July 2013 to reflect the Public Service Pensions Bill and effective for financial years beginning on or after 1 April 2014.
- d) The Administering Authority must also disclose in their Annual Report a statement to demonstrate compliance with the code of practice, such as a report on member training undertaken during the year (if not reported elsewhere).

2) Regulations - Local Pension Board

- a) In line with The Public Service Pensions Act 2013 the Pensions Regulator issued a code of practice "Governance and Administration of Public Service Pension Schemes" which requires pension board members by law:
 - to be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
 - have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations.
 - The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.
 - it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- b) Guidance was also issued by the then Shadow Scheme Advisory Board in February 2015 and includes guidance that states that LPB members:
 - should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to its members. Where the Pensions Committee has an existing knowledge and understanding policy already in place, it may be sensible to see if this could be incorporated to cover both the Pensions Committee and the Local Pension Board to avoid unnecessary duplication,
 - will be required to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses, and

- are required to be able to demonstrate their knowledge and understanding and to refresh and keep knowledge up to date and required to maintain a written record of training and development.

3) Knowledge and Skills

- a) CIPFA's Knowledge and Skills Framework covers six relevant areas of knowledge for members of decision making bodies, namely:
 - Pensions Legislative and Governance Context.
 - Pensions Accounting and Auditing Standards.
 - Financial Services Procurement and Relationship Management.
 - Investment Performance and Risk Management.
 - Financial Markets and Products Knowledge.
 - Actuarial Methods, Standards and Practices.
- b) To assist in achieving the training strategy objectives the fund will aim for full compliance with the CIPFA Knowledge and Skills Framework as shown in the six areas above and they will form the core skill sets against which progress and achievement will be measured. The Fund will also aim to comply with the knowledge and skills element of The Pensions Regulator Code of Practice and any other appropriate LGPS guidance relating to knowledge and skills.
- c) CIPFA Knowledge and Skills framework includes a self-assessment of training needs (Appendix B). This will be issued to the LPB members and reissued to members of the Pensions Committee. This will be used to identify the knowledge and skills gap so that training can be targeted to specific areas.

4) Progress & Achievement

- a) The CIPFA's Knowledge and Skills Framework self-assessment form will also become a personalised training plan for each member and will be used to document areas of learning and continued development. These will be monitored annually and progress and achievements will be reported in the pension fund annual report.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Deputy Chief Executive Communities and Resources has approved a training budget of £10,000 per annum. This budget is to be shared between the Pensions Committee and the Local Pension Board.

Any additional budget requirements will need to be approved by the Deputy Chief Executive Communities and Resources.

Training costs will be met from the Pension Fund.

Legal implications and risks:

The relevant legislation is set out in the main report.

Human Resources implications and risks:

There is an expectation that Council staff may be required to deliver training either to the Committee, Board or to other staff. The demand for training may require a review of existing staffing structures to assess whether this can be met from existing resources.

Equalities implications and risks:

None arise from this report

BACKGROUND PAPERS

Background Papers List

The Pensions Regulator code of practice No 14
Public Service Pensions Act 2013
CIPFA Knowledge and Skills Framework



Haverling
LONDON BOROUGH

**KNOWLEDGE and SKILLS
TRAINING STRATEGY**

NOVEMBER 2015

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1 Introduction

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

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

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

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

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

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

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

1.1 Strategy Objectives

The Fund objectives relating to knowledge and skills are to:

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

To achieve these objectives –

The Committee Members require an understanding of:

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

HYMANS ROBERTSON LLP

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

Board members are conversant with–

- The Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

and have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

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

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

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

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

1.2 Application of the training strategy

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

1.3 Purpose of training

The purpose of training is to:

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

1.4 Summary

This training strategy:

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

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

2 Meeting the business plan

2.1 Timely and relevant

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

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

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

3 Delivery of Training

3.1 Training resources

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

For Pension Committee and Local Pension Board Members	For Officers
<ul style="list-style-type: none"> • In-house* • Self-improvement and familiarisation with regulations and documents • The Pension Regulator's e-learning programme • Attending courses, seminars and external events • Internally developed training days and pre/post Committee/Board sessions* • Shared training with other Funds or Frameworks* • Regular updates from officers and/or advisers* • Circulated reading material 	<ul style="list-style-type: none"> • Desktop / work based training • Attending courses, seminars and external events • Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP, PMI) • Internally developed sessions • Shared training with other Funds or Frameworks • Circulated reading material

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

3.2 Training Plans

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

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

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

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

3.3 External Events

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

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

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

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

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

4 On-going development

4.1 Maintaining knowledge

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

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

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

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

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

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

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

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

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

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

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

5 CIPFA Requirements

5.1 CIPFA Knowledge & Skills Framework

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

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

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

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

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

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

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

6 Guidance from the Scheme Advisory Board

6.1 General Principles

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

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

6.2 Pension Committee Members

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

6.3 Degree of Knowledge and Understanding

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

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

6.4 Acquiring, Reviewing and Updating Knowledge and Understanding

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

6.5 Flexibility

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

7 Training records and certification

7.1 Progress and achievement

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

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

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

8 Risk

8.1 Risk Management

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

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

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

9 Budget

9.1 Cost

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

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
1	PENSIONS LEGISLATIVE AND GOVERNANCE CONTEXT					
	a General pensions framework					
	A general awareness of the pensions legislative framework in the UK	Yes/No		1		
	b Scheme-specific legislation					
	An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment	Yes/No		1		
	An awareness of the Local Government Pensions Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension scheme (Administration) Regulations 2008 and their main features	Yes/No		1		
	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers	Yes/No		1		
	A regularly updated appreciation of the latest changes to the scheme rules	Yes/No		1		
	Knowledge of the role of the administering authority in relation to the LGPS	Yes/No		1		

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
c	Pensions regulators and advisors					
	An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	Yes/No		1		
d	General constitutional framework					
	Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	Yes/No		1		
	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer	Yes/No		1		
e	Pension scheme governance					
	An awareness of the LGPS main features	Yes/No		1		
	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance	Yes/No		1		
	A detailed knowledge of the duties and responsibilities of committee /board members	Yes/No		1		
	Knowledge of the stakeholders of the pension fund and the nature of their interests	Yes/No		1		
	Knowledge of consultation, communication and involvement options relevant to the stakeholders	Yes/No		1		
			score 1 for each yes from above	14	0	

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
2	PENSIONS ACCOUNTING AND AUDITING STANDARDS					
	Awareness of the Accounts and Audit regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	Yes/No		1		
	Awareness of the role of both internal and external audit in the governance and assurance process	Yes/No		1		
			score 1 for each yes from above	2	0	
3	FINANCIAL SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT					
	a Understanding public procurement					
	Understanding of the background to current procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	Yes/No		1		
	A general understanding of the main public procurement requirements of UK and EU legislation	Yes/No		1		
	b Supplier risk management					
Awareness of the nature and scope of risks for the pension fund and of importance of considering risk factors when selecting third parties	Yes/No		1			
			score 1 for each yes from above	3	0	

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
4	INVESTMENT PERFORMANCE AND RISK MANAGEMENT					
	a Total Fund					
	Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks	Yes/No		1		
	b Performance of advisors					
	Awareness of the Myners principles of performance management and the approach adopted by the committee	Yes/No		1		
	c Performance of the committee					
	Awareness of the Myners principles and the need to set targets for the committee and to report against them.	Yes/No		1		
	d Performance of support services					
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	Yes/No		1			
		score 1 for each yes from above	4	0		

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
5	FINANCIAL MARKETS AND PRODUCTS KNOWLEDGE					
	a Investment Strategy					
	Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).	Yes/No		1		
	Understanding of the role of these asset classes in long-term pension fund investing	Yes/No		1		
	b Financial markets					
	Understanding of the primary importance of the investment strategy decision.	Yes/No		1		
	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	Yes/No		1		
An awareness of the limits placed by regulation on the investment activities of local government pension funds	Yes/No		1			
		score 1 for each yes from above	5	0		

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

		Knowledge & Skills (KS)			Further Development (FD)	
		Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired
6	ACTUARIAL METHODS, STANDARDS AND PRACTICES					
	a Valuations					
	Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring	Yes/No		1		
	Awareness of the importance of monitoring early and ill-health retirement strain costs	Yes/No		1		
	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers	Yes/No		1		
b	Outsourcing					
	A general awareness of the relevant considerations in relation to outsourcing and bulk transfers	Yes/No		1		
			score 1 for each yes from above	4	0	
minimum score available				32	8	

NAME:

CIPFA KNOWLEDGE AND SKILLS - SELF ASSESSMENT OF TRAINING NEEDS

Knowledge & Skills (KS)			Further Development (FD)	
Please select Yes/No if you feel you meet criteria	If Yes please give details of how knowledge/skills acquired	Score available Knowledge	Minimum credits earned for knowledge development	Please give details of how knowledge/skills acquired

Notes:
KS= Knowledge and Skills
FD = Further Development
Please overwrite scoring in 'Score available - knowledge' column as appropriate
Expect a minimum of 8 credits over the 4 year cycle (equates to 2 full days training per annum)
The lower the score in the KS criteria will mean more credits are required in the FD criteria to ultimately meet the minimum score for KS

Scoring Guide

Score 1 Credit if:

- a Answered Yes under KS criteria
- b up to half day attendance at external events/seminar
- c Studied a range of material to provide sufficient level of understanding of subject matter
- d Completion of each module of the Pensions Regulator e-learning programme
- e regular updates from officer/advisors amount to you attaining a level of understanding that enhances your ability to make decisions.

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**PENSIONS
COMMITTEE**
24 November 2015

Report

Subject Heading:

**WHISTLEBLOWING REQUIREMENTS
OF THE PENSIONS ACT**

CMT Lead:

Andrew Blake Herbert

Report Author and contact details:

Debbie Ford
Pension Fund Accountant
01708432569
Debbie.ford@onesource.co.uk
Pensions Act 2004

Policy context:

Financial summary:

None

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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

On the 6 April 2005 the whistle blowing requirements of the Pensions Act 2004 came into force. The basic requirement of this 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

Pensions Regulator issued a Code of Practice (CP1) that set out guidance on how to comply.

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 to the Regulator. These were put in place during 2005 and part of this procedure was to undertake an annual review. This represents the annual review for the year up to **30 September 2015**.

Since the requirement came into force on the 5 April 2005, no possible breaches have been reported to the Deputy Chief Executive Communities and Resources.

Consequently no reports have been made to the Regulator

RECOMMENDATIONS

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

REPORT DETAIL

1. On the 6 April 2005 the whistle blowing requirements of the Pensions Act 2004 came into force. The basic requirement of this 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'.
2. The Act was updated in 2015 to include changes required under the Public Services Pensions Act 2013 in relation to the establishment of a pension board and states that the requirement to report now applies to:
 - a) a trustee or manager of an occupational pension scheme;
 - b) *a member of the pension board of a public service pension scheme;(new)*
 - c) a person who is otherwise involved in the administration of an occupational pension scheme;
 - d) a professional adviser in relation to such a scheme;
 - e) a person who is otherwise involved in advising the trustees or managers of an occupational pension scheme in relation to the scheme.

3. The Pensions Regulator issued a code of practice (CP1) that set out guidance on how to comply with the requirement to report breaches of the law.
4. The Pensions Regulator's objectives are to protect the benefits of pension scheme members and to promote the good administration of work-based pension schemes.
5. **The Pensions Regulator 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. The Pensions Regulator does not normally regard a breach as materially significant where the trustees or managers (or their advisers and service providers) take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

b) Likely to be of material significance to the Pensions Regulator'

The legal requirement is that breaches likely to be of material significance to the Pensions Regulator in carrying out any of its functions must be reported.

What makes the breach of material significance depends on:

- The cause of the breach
- The effect of the breach
- The reaction to the breach
- The wider implications of the breach

When reaching a decision whether to report, the reporter should consider these points together.

c) 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.

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

6. Actions to ensure compliance / reporting

- a) The named officer for reporting issues to within Haverling is the Deputy Chief Executive Communities and Resources. Should he be notified of a breach he 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;
- b) The Deputy Chief Executive Communities and Resources 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.
- c) The Deputy Chief Executive Communities and Resources 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
- d) 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.
- e) *In relation to protecting members' benefits:*
- Substantially the right money is paid into the scheme at the right time;

Confirmed via audit and accounts

- Assets are appropriately safeguarded;
Confirmed via Pension Committee monitoring
- Payments out of the scheme are legitimate and timely;
Confirmed via audits and accounts
- The Fund is complying with any legal requirements on scheme funding which apply to the LGPS;
Regular actuarial reviews take place and all regulation changes implemented.
- The Administering Authority is properly considering the investment policy and investing in accordance with it;
Confirmed via work of Pensions Committee and adoption of an investment strategy
- Contributions in respect of money purchase AVCs are correctly allocated and invested;
Confirmed via audit and accounts

f) *In relation to promoting good administration:*

- Schemes are administered properly and appropriate records maintained;
Confirmed via audit and triennial valuation
- Members receive accurate, clear and impartial information without delay.
Confirmed via Pensions Committee workplan and attendees.

g) *In addition:*

- A note has been included in the annual report provided to scheme members along with where to raise concerns.
- Fund Managers are requested to disclose any reportable governance issues as part of the Fund's monitoring process.
- 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.
- All Fund employers have been notified of the whistleblowing requirements.

- There is a named officer to maintain record of all breaches, assessments and actions taken – the Deputy Chief Executive Communities and Resources.
 - Staff are reminded of the procedures
7. Should a breach occur the named officer will write to all Pensions Committee Members setting out action taken and do a full report at the next available Committee.
8. **There have been no reported breaches.**

IMPLICATIONS AND RISKS

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 Pensions 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 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 been 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 notice 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 Resources Implications and risks:

The Council has a whistle blowing/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 whistle blowing will be adhered to in relation to anonymity.

Equalities implications and risks:

This report sets out the Whistle blowing requirements of the Pensions Act and the report highlights that there have been no identified breaches. This means that there are not any direct equality implications.

However, there could be future cases related to anyone connected with the running of the pension scheme where there is a dimension of discrimination or victimisation based upon protected characteristics. In these cases, reference should be made to the Council's wider Whistle Blowing and Confidential Reporting Policy in order to comply with the Equality Act 2010.

BACKGROUND PAPERS

Background Papers List

Pensions Regulator Code of Practice 01

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