



Haverling

LONDON BOROUGH

LOCAL PENSION BOARD AGENDA

4.00 pm

**Wednesday
6 January 2016**

**Committee Room 1-
Town Hall - Town Hall**

Members4: Quorum 3

Justin Barrett, Employer Representative (Chair)

Mark Holder, Scheme Member Representative

David Holmes, Employer Representative

Marsha Jane Thompson, Scheme Member Representative

**For information about the meeting please contact:
James Goodwin
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AGENDA ITEMS

1 CHAIR'S ANNOUNCEMENTS

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

2 APOLOGIES FOR ABSENCE

(if any) – receive.

3 DISCLOSURE OF PECUNIARY INTEREST

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

Members of the Board may still disclose any pecuniary interest in an 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 7 October 2015 and authorise the Chair to sign them.

5 LOCAL PENSION BOARD - WORK PLAN

Following the last meeting of the Board members met on 21 October 2015 to agree the work plan for the Board as the key aims of the Local Pensions Board. The following priorities had been identified:

- Priority 1 – Fair Deal and TUPE Transfer;
- Priority 2 – Review of Governance Compliance Statement, training and development strategy and how this is implemented;
- Priority 3 – Tendering Processes for Fund managers;
- Priority 4 – Pooled Investments;
- Priority 5 – Risk Strategy Review;
- Priority 6 – Pensions Administration Strategy and Benchmarking;
- Priority 7 – Early Redundancy Gap – Impact on Pensions;
- Priority 8 – Rationalisation of member Organisations and Impact on deficit payments.

Members had indicated that they would like to consider 2 priorities at each meeting, where time permits.

6 FAIR DEAL AND TUPE TRANSFER

The TUPE manual will be available for members of the Board at the meeting.

7 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT, TRAINING AND DEVELOPMENT STRATEGY AND HOW IT IS IMPLEMENTED. (Pages 7 - 28)

Pensions Committee at its meeting on 24 November reviewed the Governance Compliance Statement.

(<http://democracy.havering.gov.uk/ieListDocuments.aspx?CId=152&MId=3102&Ver=4>)

At the same meeting the Pensions Committee approved the Havering Pension Fund Training Strategy.

Report attached.

8 MATTERS CONSIDERED BY THE PENSIONS COMMITTEE AT ITS MEETING HELD ON 24 NOVEMBER 2015 (Pages 29 - 40)

The minutes of the meeting of the Pensions Committee held on 24 November are attached. If you wish to see the reports they are available on the Intranet.

9 ITEMS CONSIDERED BY THE PENSIONS COMMITTEE AT ITS MEETING HELD ON 15 DECEMBER 2015 (Pages 41 - 44)

The minutes of the meeting of the Pensions Committee held on 15 December 2015 are attached. Copies of the reports can be found on the intranet.

Andrew Beesley
Committee Administration Manager

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**MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Committee Room 2 - Town Hall
7 October 2015 (4.00 - 5.40 pm)**

Present:

Justin Barrett (Employer Representative) (Chair)
Mark Holder (Scheme Member Representative)
Marsha Jane Thompson (Scheme Member Representative (MJT)

Officers:

Debbie Ford (Pensions Accountant) (DF)
Mo Jones (Pensions Programme Manager (MO)
Anthony Clements, Principal Committee Officer

All decisions were taken with no votes against.

8 CHAIR'S ANNOUNCEMENTS

The Chair announced details of arrangements in the case of fire or other event that would require the evacuation of the meeting room.

9 APOLOGIES FOR ABSENCE

Apologies were received from David Holmes, employer representative.

10 DISCLOSURE OF PECUNIARY INTERESTS

There were no disclosures of pecuniary interests.

11 MINUTES OF THE MEETING

The minutes of the meeting held on 26 August 2015 were agreed as a correct record and signed by the Chair.

The Committee Officer would investigate issues raised regarding the payment of attendance allowances to members of the Board.

Officers would check the position with the availability of the amended minutes of the previous meeting.

Under matters arising, DF agreed that a copy of the Pensions Committee workplan would be put on the website. This did not however include the Board workplan. Training on the TUPE transfer was being arranged for December 2015.

It was emphasised that the Board needed to decide its own workplan using the Annual Report, Risk Register etc. The exact budget for the Board was not known at this stage as this depended to some extent on what work the Board wished to undertake. National guidelines on Pensions Board workplans were available on the yourpension.org website.

It was agreed that the Board members would arrange a private meeting in order to establish a workplan for the Board. The Committee Officer would arrange a room at the Town Hall on an agreed date in order to facilitate this.

It was noted that the Board had the power to ask the Pensions Committee how it had arrived at decisions but was unable to reverse those decisions.

12 LOCAL PENSION BOARD BUDGET

DF explained that some figures in the budget were estimates while others were based on historical funding levels. It was noted that the figure for printing in 2015/16 should have read £3,400 rather than as stated.

Concerns were raised that the budget would not cover an annual consultation with scheme members although officers pointed out that most members could be contacted electronically or via the existing pension newsletter. A Board member felt however that any consultation needed to be separate from this process and DF indicated that the budget may be able to be revised if necessary. A web-based survey such as Survey Monkey could also potentially be used.

The Self Service system could be used to gather feedback for the Board although the use of this for Pension Scheme enquiries etc was currently being agreed by Audit and a list of scheme member e-mail addresses would need to be compiled. MJT pointed out that 5-6% of scheme members did not have e-mail access. Postal communication was very expensive however and DF suggested the Board consider this further when it was ready to launch a large scale communication.

It was suggested that scheme members could be asked about the level of service from the pension administration team or what they would like the board to do etc. People's use of the pensions website could also be investigated in this way.

The £10,000 training budget was shared with the Pensions Committee and any increase to elements of the Board's budget would require the approval of the Group Director. The training strategy would be approved initially by the Pensions Committee and training would, where possible and appropriate, be shared by the Pension Board and Pensions Committee.

DF would send to Board members a CIPFA self-assessment form which allowed the targeting of training. A member added that she understood that a new Government on-line programme for members needed to be

completed within six months. Board member was going to provide information on this as officers were not aware of this.

It was noted that the discussion on Sharepoint at the previous meeting was not reflected in the minutes. MO would investigate why Sharepoint was not currently working for external people. The Chair suggested that shared documents could also be set up using Google Docs.

It was **agreed** that the Board noted:

- a) **the allocated budgets for the Local Pensions Board and**
- b) **any budget variations to be agreed by the administering authority's section 151 officer.**

It was further **agreed** that updates on the budgetary position would be taken to the Board on a six-monthly basis.

13 **PENSIONS COMMITTEE ANNUAL REPORT 2014/15**

DF explained that the annual report had been published earlier than normal as this had enabled the former Council auditors to sign off the full Council accounts within the given deadline.

All statutory policy documents included in the report were being revised and would be submitted to the Pensions Committee in November. The report layout was in line with CIPFA guidance.

It was noted that six new employers had joined the scheme in the previous year, resulting in a lot of extra administration work for the pensions team. Overall administration costs had decreased however as the prior year included licensing fees.

A board member asked the difference between scheduled and admitted bodies. Officers explained that in the case of scheduled bodies such as schools, the Council had no say over whether these organisations were admitted to the Pension Scheme. An admitted body providing for example outsourced services, could also not be refused admission but admittance was subject to signing the necessary agreements. A designated body such as a Voluntary Aided School could designate staff to be admitted to the Pension Scheme but this did not happen in reality.

The Board discussed Collective Investment Vehicles in light of the recent announcement by the Chancellor that pension fund assets should be pooled. The London Collective Investment Vehicle should lead to management and procurement cost savings but managers had not been appointed to the vehicle at this stage, prior to FCA approval. There would be a consultation on pooling models in the autumn but it would be mandatory to join a pooled vehicle.

The scheme currently held an increased amount of cash due to needing to make payments as a result of restructures but cash flow policy would be reviewed. MJT added that all oneSource restructures were now scheduled to take place in the second year of oneSource and that there were also 12 school restructures in progress. DF added that only staff over 55 years of age affected by the restructures would impact on the pension fund.

Whilst many administration targets had not been met in the year under review, DF confirmed that these had been met in the past and felt that they were still achievable. Many of the problems had been due to the introduction of the Career Average Related Earnings scheme and MJ explained that problem with the software did not fully reflect the new Regulations, resulting in a lot more manual work for the pension team.

The team's caseload was shown in the report and MJ would supply the average time taken for the notification of deferred benefits and other indicators. For legal reasons, priority was given to retirements, death benefits and estimates related to divorce cases.

It was noted that it was sometimes difficult to recruit and retain staff in the pensions team. Apprenticeships had been used in the past but the scheme was now very complex in nature. The administration performance indicators were the industry standard and officers did not wish to amend these. The future plans for the size of the pensions team were not known at this stage and the Chair suggested that perhaps this could be presented to a future meeting of the Board. It was also not known at this stage if there were any plans to merge the pensions team with that of Newham or Bexley, the other oneSource partners.

It was confirmed that monitoring and performance information on fund managers was presented to the Board on a quarterly basis. One or two fund managers also attended meetings of the Committee to answer questions about their performance. Each fund manager was rated by the Council's investment adviser.

The Board asked if the Pensions Committee asked had access to the fund manager transaction reports. DF explained that they did and agreed to send to the Board the reports on this area but reminded members that these were confidential and could not be shared with anyone else. The Committee Officer would confirm that all Board members were on the distribution list for Pensions Committee agendas and if this also applied to exempt items.

Of the £2.5 million paid in management fees, it was confirmed that £797,000 related to transaction fees. Officers confirmed that most fees were paid to active fund managers and this was now dealt with in a more transparent way. It was not known how this compared to fees paid in other boroughs. It was emphasised that the level of fees paid could not be looked at in isolation. Some risks needed to be taken in order to reduce the deficit which meant the use of active funds with higher fees. Fees needed to be

considered in relation to the return received. Information on the fees paid by other boroughs could be obtained from the scheme advisory board website.

Benchmarking was undertaken using WM Local Authority data. Havering had previously been ranked 46th of 85 funds but rose in the first quarter of 2015/16 to 24th. Performance was affected by markets and Havering's fund ranking had risen as the fund had relatively low exposure to the recent equities fall. Contributions to the fund had gone down as the Council had paid a one-off contribution of £11.5 million last year.

The overall fund was worth £575 million at the end of March but had lost £20 million (in line with the impact on all funds) due to the Greece and China economic difficulties. The value of fund assets needed to be as high as possible by the time of the next fund valuation in March 2016.

The Board asked why we had no administration strategy and officers explained that it was not mandatory to have a pensions administration strategy and it had been an officer decision not to have one at this time. In answer to a question about how the website is communicated MJ explained that the pensions website was shown to all Academies joining the scheme and the website address was included on all pension letters and factsheets. QR codes were also printed on documentation in order to promote the website as much as possible.

The scheme communications strategy was being revised and would be taken to the Pensions Committee in November.

A board member asked about voting and officers clarified that that the pension fund can only vote if shares are held in their name and as most of the funds are pooled the Fund did not have the right to vote at board meetings of companies the fund had invested in. Any voting that was required was left to the discretion of the fund manager.

14 **NEXT MEETING**

It was agreed that the next meeting should consider the following items:

Agreement of the Board's workplan
Outcome from TUPE training
Training strategy

Chairman

LOCAL PENSION BOARD

6 JANUARY 2016

Subject Heading:

**KNOWLEDGE AND SKILLS
TRAINING STRATEGY**

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SUMMARY

The Pensions Committee at its meeting on the 24 November 2015 agreed to adopt a Training Strategy for the Havering Pension Fund (**Appendix A**) which was produced in conjunction with Hymans Robertson.

The Training Strategy has been developed 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

The pension board to note the following:

- 1 The Havering Pension Fund Training Strategy (**Appendix A**).
- 2 The basis for measuring progress and achievement (**Appendix B**).

- 3 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 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).
- b) The first of these principles, Effective decision making, requires that administering 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) CIPFA Knowledge and Skills Framework – Local Pension Boards

a) The CIPFA’s Knowledge and Skills Framework for Public Sector Pensions 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) 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.
- c) CIPFA has also produced a separate Knowledge and Skills Framework for the Local Pension Board, which includes additional learning needs. **Green text** on the self - assessment form highlights the additional learning needs required for the Local Pension Board members. These have been incorporated into the six core areas listed above.
- d) 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 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.

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.

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

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Haverling
LONDON BOROUGH

**KNOWLEDGE and SKILLS
TRAINING STRATEGY**

NOVEMBER 2015 (adapted for LPB)

Contents

LGPS Knowledge & Skills Training Strategy		PAGE
1	Introduction	1
2	Meeting the business plan	3
3	Delivery of Training	3
4	On-going development	4
5	CIPFA Requirements	5
6	Guidance from the Scheme Advisory Board	6
7	Training records and certification	7
8	Risk	7
9	Budget	7

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;

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- 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	32 credits	8 credits
Local Pension Board Members	46 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.

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LOCAL PENSION BOARD

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 LEGISLATION AND GOVERNANCE CONTEXT					
A general understanding of the pensions legislative framework in the UK	Yes/No		1		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment	Yes/No		1		
An appreciation of the Local Government Pensions Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension scheme (Administration) Regulations 2008 and their main features and any updated versions	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		
An understanding of how the roles and powers of the DCLG, Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	Yes/No		1		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure	Yes/No		1		
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		

LOCAL PENSION BOARD

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
Awareness of the role and statutory responsibilities of the treasurer and monitoring officer	Yes/No		1		
A Knowledge 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 how pension fund management risk is monitored and managed	Yes/No		1		
Knowledge of the stakeholders of the pension fund and the nature of their interests	Yes/No		1		
An understanding of how conflicts of interest are identified and managed	Yes/No		1		
An understanding of how breaches of law are reported	Yes/No		1		
		score 1 for each yes from above	17	0	
2 PENSIONS ACCOUNTING AND AUDITING STANDARDS					
An understanding 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		
An understanding of the role of both internal and external audit in the governance and assurance process	Yes/No		1		
An understanding of the role played by third party assurance providers	Yes/No		1		

LOCAL PENSION BOARD

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
a PENSIONS ADMINISTRATION					
An understanding of best practice in pensions administration e.g. performance and cost measures	Yes/No		1		
Understanding of the required and adopted scheme policies and procedures relating to:	Yes/No		1		
member data maintenance and record-keeping processes					
internal dispute resolution					
contributions collection					
scheme communication and materials					
Knowledge of how discretionary powers operate	Yes/No		1		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes)	Yes/No		1		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration	Yes/No		1		
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements	Yes/No		1		
		score 1 for each yes from above	9	0	

Page 25

LOCAL PENSION BOARD

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
3	PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT					
	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		
	An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties	Yes/No		1		
	An understanding of how the pension fund monitors and manages the performance of their outsourced providers	Yes/No		1		
			score 1 for each yes from above	4	0	
4	INVESTMENT PERFORMANCE AND RISK MANAGEMENT					
	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		
	Awareness of the Myners principles of performance management and the approach adopted by the administering authority	Yes/No		1		
	Awareness of the Myners principles and the need to set targets for the committee and to report against them.	Yes/No		1		
	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	

LOCAL PENSION BOARD

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					
An understanding 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		
Understanding of the primary importance of the Fund's Statement of Investment Principles and 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 understanding of the limits placed by regulation on the investment activities of local government pension funds	Yes/No		1		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments	Yes/No		1		
		score 1 for each yes from above	6	0	
6 ACTUARIAL METHODS, STANDARDS AND PRACTICES					
A general understanding of the role of the Fund Actuary	Yes/No		1		
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		

LOCAL PENSION BOARD

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
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers	Yes/No		1		
A general awareness of the relevant considerations in relation to outsourcing and bulk transfers	Yes/No		1		
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers	Yes/No		1		
		score 1 for each yes from above	6	0	
Maximum score available			46	8	

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

Green Text indicates additional learning needs for the Local Pension Board members

For LPB members understanding replaces awareness

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.

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
24 November 2015 (7.00 - 7.58 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

All decisions were taken with no votes against.

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

17 MINUTES OF THE MEETING

The minutes of the meeting held on 22 September 2015 were agreed as a correct record and signed by the Chairman.

18 COMMUNICATIONS STRATEGY

Officers have reported that in accordance with Regulation 61 of the Local Government Pensions Scheme Regulations 2013 the Pension Team's Communication Strategy has been reviewed and up dated. The revised strategy would cover a three year period commencing 2016. The statement had to 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; and

- The promotion of the scheme to prospective members and their employers.

The Strategy has been prepared to communicate with the various stakeholders in a clear, plain English manner with as little jargon as possible. It also aimed to utilise modern media that was cost effective and efficient, placing emphasis on greater use of the pension website www.yourpension.org.uk/handr, as well as electronic notifications.

Officers have advised that the use of Member Self Service for access to pension records was intended to be rolled out in this financial year, which should free up Pension Administration team member time and also save on postage costs.

The Committee has considered and **approved** the Pension Team's Communications Strategy for the 3 year period 2016 - 2018.

19 **REVIEW OF ACTUARIAL SERVICES**

Officers have reported that they have undertaken a review of the performance of the Pension Fund's Actuary, Hymans Robertson, for the period 1 April 2014 - 30 September 2015. Since April 2015 the Actuary had undertaken the following:

- (a) Attended officer level meetings;
- (b) Provided 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.

Additionally, Hymans Robertson 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.

The cost of the actuarial services were:

- 1 April 2014 to 31 March 2015 £29k
- 1 April 2015 to September 2015 £18k

In addition, fees, including actuarial work have been recharged to other employees within the fund, as follows:

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

The Committee were advised that Officers were very satisfied with the services provided by Hymans Robertson and accordingly have **noted** the report.

20 **REVIEW OF PENSION FUND CUSTODIAN**

Officers have informed that Committee that they have undertaken a review of the performance of the Pension Fund's Custodian, State Street. State Street have performed the role of Custodian since 31 December 2004. The role of the Global Custodian falls in to two main categories:

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

- **Safe Keeping and Custody**

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

- **Investment Accounting and Reporting**

State Street have produced accounting reports that were similar to those produced by the fund's investment managers. They have kept a record of

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

Performance has been reviewed against a number of set criteria and Officers have indicated that they were satisfied with the safe keeping and custody functions provided by State Street custodians and have been pleased with the investment accounting and reporting functions.

Officers have expressed one minor concern which was that State Street have been dilatory in presenting invoices.

The Committee have been advised that the cost of the custodian service has been reduced in recent years due to the fund's use of pooled funds which consequently have reduced the custody and transaction charges.

The Committee has **noted** the report.

21 **REVIEW OF PENSION FUND INVESTMENT ADVISOR**

Officers have reported that they have carried out a review of the services provided by the Pension Fund's Investment Advisor, Hymans Robertson, for the period September 2014 to September 2015.

Myner's principles number 2 recommended that the Committee, in setting out its overall objective for the Fund, should take proper advice and appoint advisors in open competition. Hymans Robertson was appointed in 2012 and the contract runs until 31st March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.

In accordance with Myner's Principal number 4 the Committee have to undertake an annual assessment of the performance of the Investment Advisor.

The services provided by Hymans Robertson have been generally in relation to the core services which included production of quarterly monitoring performance reports, attendance at Pensions Committee and providing questions for officer meetings with fund managers, investment advice and monitoring of fund managers. Additionally, Hymans Robertson have carried out a tendering exercise to search for a replacement multi asset manager. They have also undertaken a review of the passive equity mandate and bonds mandate. These additional tasks represented an extra cost to the fund.

The assessment of the service was against a set of criteria defined as part of the tender specification as set out 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; and
- Support arrangements.

The cost of the Investment Advisor for the period October 2014 to September 2015 has been £65,940, £28,382 for core services and £37,558 for the additional services. The cost of the additional services has been kept within budget.

Both officers and the Committee had indicated that they were satisfied with the service provided by Hymans Robertson and had continued confidence in the advice being given.

The Committee **noted** the report.

22 **REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES**

The Committee were informed that in line with the Local Government Pensions Scheme Regulations (LGPS) and good practice the Council as an administrating authority had undertaken a review of the Statement of Investment Principles (SIP).

The statement had to cover the administrating authority's 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.

Officers have informed the Committee that the main changes were:

- a) Reformatting the document and adding a contents page.
- b) Updating the table showing the allocation of assets to managers by including two new columns to show that the mandates were the segregated or pooled elements and whether the mandate was active or passive,
- c) Social Environmental and Ethical Considerations statement had been updated.

The Social Environmental and Ethical Considerations statement had been amended as follows:

“The Pensions Committee has carefully considered socially responsible investment in the context of its legal and fiduciary duties and obligations. In view of the objectives set out in this statement, the Pensions Committee takes the view that, non-financial factors should not drive the investment process to the detriment of the financial return of the Fund.

Whilst at this time the Pensions Committee has determined not to place any restrictions on Investment Managers for ethical, social and environmental reasons, the Pensions Committee considers it appropriate for the Investment Managers to take such factors into account when considering particular investments.

The Pensions Committee also believes that it does not have the relevant expertise or capacity to make frequent assessment of the financial impact of companies’ activities. To that extent, the Pensions Committee has a policy of non-interference and the Investment Manager has full discretion over day to day decision making.”

Officers have advised the Committee that the SIP was only partially compliant with Myner’s Principle number 5 ‘Responsible ownership.’ In the past the Committee have accepted the principles laid down in the ‘Institutional Shareholders Statement of Responsibilities’ but this has been replaced by the ‘UK Stewardship Code’.

The Committee has:

1. **Agreed** the amendments to the Statement of Investment Principles, subject to the final version including the minor changes that were omitted in the distributed version;
2. **Agreed** the administering authority’s position in respect of compliance against the Myner’s investment principles; and
3. **Agreed** that officers produce a further report on the implications of compliance with the UK Stewardship Code.

23 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

Officers have informed the Committee that in line with the Local Government Pensions Scheme Regulations (LGPS) 2013 (as amended), and LGPS (Governance) Regulations 2015 the Council 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).

The report has set out the Pension Fund's draft Governance Compliance Statement for November 2015 and has highlighted where changes might be required.

Changes to the Statement have been made to reflect the fact that the Council has established a Local Pension Board in accordance with Regulation 106 of the LGPS (Governance) Regulations 2015. Under the same regulations the Local Government Pension Scheme Advisory Board has been established to provide advice to the Secretary of State on the desirability of making changes to the Scheme and providing advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the scheme.

Officers have highlighted the fact the Statement was not fully compliant against the set of best practice principles. Principle B - Representation item (a) (iii) stated that 'to meet the required standards all stakeholders are offered the opportunity to be represented by, where appropriate, appointing independent observers.'

The Committee have **reaffirmed** their previous decision not to employ the services of an independent professional observer on the basis that the current monitoring arrangements were sufficient for the size of the funds.

The Committee have **agreed** the Statement as amended.

24 KNOWLEDGE AND SKILLS TRAINING STRATEGY

The Committee have been advised that previously the values outlined in the Training Strategy have been outlined in the Business Plan. It has been felt that now was the right time to agree a separate Training Strategy for the Havering Pension Fund. The Strategy would assist the Pensions Committee and Local Pension Board achieve their training objectives and introduce a means of measuring progress and achievements.

The Local Government Pension Scheme (LPGS) (Management and Investment of Funds) Regulations 2009 regulations, paragraph 12(3) stated that administering authorities must prepare and publish a statement which

stated the extent to which an administering authority complied or did not comply with guidance issued by the Secretary of State. Where it did not comply it must state reasons for non-compliance. (This was known as the Myner's principles).

The first of these principles, Effective decision making, required that Administering authorities should ensure that:

- Decisions were 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 had sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest

Guidance as issued from the Secretary of State would 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.

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).

In line with The Public Service Pensions Act 2013 the Pensions Regulator had issued a code of practice "Governance and Administration of Public Service Pension Schemes" which required 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 was that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.
- it was 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.

Guidance has also been issued by the then Shadow Scheme Advisory Board in February 2015 and included guidance that stated that Local Pension Board 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 had 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,
- would be required to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses, and
- were 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.

The Committee has been informed that CIPFA's Knowledge and Skills Framework covered 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; and
- Actuarial Methods, Standards and Practices.

To assist in achieving the training strategy objectives the fund should aim for full compliance with the CIPFA Knowledge and Skills Framework as shown in the six areas above and they would form the core skill sets against which progress and achievement would be measured. The Fund would 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.

CIPFA Knowledge and Skills framework included a self-assessment of training needs. This would be issued to the Local Pension Board members and reissued to members of the Pensions Committee. This would be used to identify the knowledge and skills gap so that training could be targeted to specific areas.

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

The Committee have:

1. **Approved** the Havering Pension Fund Training Strategy;
2. **Approved** the basis for measuring progress and achievement; and
3. **Noted** that it was the responsibility of each committee member, board member and officer to adhere to the training strategy and maintain the required level of knowledge and skills.

25 **WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT**

The Committee have been reminded that on 6 April 2005 the whistle blowing requirements of the Pensions Act 2004 had come into force. The basic requirement of this law was that nearly all persons who were involved with a pension scheme had a duty to report 'as soon as reasonably practicable' to the Pensions Regulator where they had 'reasonable cause to believe' that there had been a breach of law 'relevant to the administration of the scheme' which was 'likely to be of material significance to the Regulator'. The Pensions Regulator had issued a Code of Practice (CP1) that set out guidance on how to comply.

The Code has discussed each of these issues, in particular what the regulator saw as materially significant.

For administering authorities and employers, an initial requirement had been to establish procedures to identify any breaches, and then evaluate and if appropriate report to the Regulator. These have been put in place during 2005 and part of this procedure was to undertake an annual review. This report represented the annual review for the year up to 30 September 2015.

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

The Committee have **noted** the report.

26 **COLLECTIVE INVESTMENT VEHICLE (CIV)**

In accordance with section 100B(4) of the Local Government Act 1972 the Chairman has agreed that the following item should be considered as the Pensions CIV Sectorial Joint Committee required a decision before the next meeting of the Pensions Committee.

Officers have informed the Committee that the CIV has now gained all the FCA approvals it required to commence business. Four Fund Managers have indicated they would be interested in participating, one of whom was Baillie Gifford who managed two of the Pension Fund mandates. They have indicated that they were prepared to offer lower management fees provided

all the administering authorities currently investing with them joined the sub-fund.

After discussion and debate the Committee have indicated their intention to move the Baillie Gifford mandates to the CIV, subject to our Investment Advisors carrying out due diligence on documentation.

Chairman

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**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
15 December 2015 (7.00 - 9.08 pm)**

Present:

COUNCILLORS

Conservative Group	John Crowder (Chairman), Melvin Wallace and Roger Westwood
Residents' Group	Ray Morgon and Stephanie Nunn
East Havering Residents' Group	Clarence Barrett
UKIP Group	David Johnson (Vice-Chair)

Apologies were received for the absence of Heather Foster-Byron, John Giles and Andy Hampshire.

All decisions were taken with no votes against.

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

27 MINUTES OF THE MEETING

The minutes of the meeting held on 24 November 2015 were agreed as a correct record and signed by the Chairman.

28 INTERNAL CASH MANAGEMENT POLICY REVIEW

Back in 2012 Hymans Robertson had developed an internal cash management policy which had been presented to the Committee and adopted on 25 June 2012. Officers had undertaken a review and undertaken an analysis of the cash flow during the period 1 April 2012 to 31 March 2015.

Cash flow management was an essential part of the administration of the pension scheme as the fund had to meet its on-going benefit payments. The Fund provided benefits for employees, which included retirement pensions, death grants and other lump sum payments. These benefit payments could be split between the more predictable payments, such as monthly pension payroll or the more unpredictable payments such as transfer value payments, retirement lump sums or death benefits.

The fund was financed by contributions from employees, employers and from profits, interest and dividends on its investments.

The analysis of the last three years of cash-flow had shown that with regard to predictable cash-flow the fund had shown an average balance of £0.2m per month. The situation with unpredictable income and expenditure showed an average balance of -£0.4m per month.

This shortfall had been addressed by drawdown and cash injections. The Fund had drawn down income from UBS of approximately £1.2m each year.

The policy had proposed that the working cash balance (immediately after receipt of monthly contributions) be set at £5m. Should the cash balance at the start of the month be continually greater than £6m, then cash could be reinvested to reduce the balance to £5m. However, the Deputy Chief Executive Communities and Resources had the discretion to retain cash above the upper limit to meet unforeseeable volatile unpredictable payments.

The Committee has agreed the reviewed Cash Management Policy.

29 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPTEMBER 2015**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 September 2015 was -3.1%. This represented an under performance of -2.6% against the combined tactical benchmark and an under performance of -8.4% against the strategic benchmark.

The overall net return for the year to 30 September 2015 was 2.6%. This represented an out performance of -1.6% against the tactical combined benchmark and an under performance of -12.2% against the annual strategic benchmark.

The Committee had received an update from Hymans Robertson and presentations from two of the Fund Managers Baillie Gifford and State Street Global Advisors.

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

30 **INVESTMENT REFORM CRITERIA AND GUIDANCE**

Officers have advised the Committee that the CIV had indicated that they would be preparing a collaborative response to the Department of Communities and Local Government paper 'Investment Reform Criteria and Guidance'.

31 **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.

Chairman

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