



Havering

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

LOCAL PENSION BOARD

AGENDA

4.00 pm	Tuesday 10 January 2017	Committee Room 1- Town Hall - Town Hall
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Members4: Quorum 3

Mark Holder, Scheme Member Representative
Vacant; Scheme Member Representatives

Justin Barrett, Employer Representative
David Holmes, Employer Representative

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AGENDA ITEMS

1 CHAIR'S ANNOUNCEMENTS

The Chair 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

(if any) – receive.

3 DISCLOSURE OF INTEREST

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

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

4 MINUTES OF THE MEETING (Pages 1 - 8)

To approve as correct the minutes of the meeting held on 12 July 2016 and authorise the Chair to sign them.

The notes of the inquorate meeting held on 4 October 2016 are attached for information.

5 ANNUAL REPORT 2015/16 (Pages 9 - 18)

To approve the draft Annual Report of the Local Pensions Board.

6 SUPPORT FOR THE BOARD (Pages 19 - 20)

7 FEEDBACK FROM THE MEETINGS OF THE PENSIONS COMMITTEE HELD ON 20 SEPTEMBER 2016. (Pages 21 - 36)

To review any items considered by the Pensions Committee at its meetings held on 22 November and 13 December 2016. Links to the agenda are:

<http://democracy.havering.gov.uk/ieListDocuments.aspx?CId=152&MId=3380&Ver=4>

<http://democracy.havering.gov.uk/ieListDocuments.aspx?CId=152&MId=3382&Ver=4>

8 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.

9 PROJECT MANAGING TUPE TRANSFERS (Pages 37 - 128)

To consider the attached report.document

Andrew Beesley
Committee Administration Manager

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**MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Town Hall, Main Road, Romford
12 July 2016 (2.00 - 3.25 pm)**

Present:

Justin Barrett (Employer Representative) (Chair) and David Holmes (Employer Representative)

Mark Holder (Scheme Member Representative)

Apologies were received from Marsha Jane Thompson

9 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.

10 APOLOGIES FOR ABSENCE

Apologies for absence were received from Marsha Jane Thompson.

11 DISCLOSURE OF INTEREST

There were no disclosures of interest.

12 MINUTES OF THE MEETING

The minutes of the meeting held on 14 April 2016 were agreed as a correct record and signed by the Chair.

13 MATTERS ARISING FROM THE MINUTES

The Board were concerned that they were being hampered in their efforts to secure the effective and efficient governance and administration of the Havering Pension Fund. The Board felt they needed to be more proactive and would expect any request for information to be reasonably complied with in both scope and timing.

JB would speak to Sara Bryant, Director of Exchequer and Transactional Services regarding the issues.

MJ indicated that the TUPE manual would be available for the next meeting and she would also be reporting on the impact of Practice Note 14.

14 REVIEW OF TERMS OF REFERENCE

Having reviewed the Terms of Reference and considered those adopted by other Local Pension Boards the Board agreed that no change was required.

15 FAIR DEAL AND TUPE

MJ indicated that she had recently received training on the latest version of Fair Deal. She and a colleague (Caroline Berry?) would be reviewing the Council's position.

A further report would be submitted to the next meeting.

16 THE WAY FORWARD

JB queried the value of the Pensions Administration service provided to the Academies. How was this being devolved and how could Academies be assured that they were receiving value for money.

The Board asked how much did Pensions Administration cost the Pension Fund and what percentage did that represent of the charges made on the Academies.

MJ admitted that the team was struggling and the Board expressed their concern that the service would suffer as a result of the recent organisational changes.

The Board indicated a wish to receive KPI's and monitoring reports on a quarterly basis. MJ indicated that the service had received no complaints.

Other issues for future consideration included the effects of the on-going academisation of the education sector. The Fund would see a significant change in the profile of fund members over the next year.

Also the fund could be affected by the re-organisation of the FE sector and the introduction of larger MATS. Had consideration been given to the impact of these changes on the Fund?

The Board would also like reports on the impact of the 2016 Actuarial Valuation and a report on the Pensions Regulators recently published Code of Practice.

17 PENSIONS COMMITTEE 14 JUNE 2016

Having considered the minutes of the meeting of the Pensions Committee held on 14 June 2016 the Board decided there were no issues discussed which required their attention.

Chairman

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**MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Town Hall, Main Road, Romford
4 October 2016 (2.00 - 3.09 pm)**

Present:

Justin Barrett (Employer Representative) and David Holmes (Employer Representative)

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

18 CHAIR'S ANNOUNCEMENTS

Due to an administrative error over timings the meeting was inquorate; it was agreed that the meeting should proceed and where appropriate recommendations submitted to the next meeting.

19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mark Holder and Marshajane Thompson.

20 DISCLOSURE OF INTEREST

There were no disclosures of interest.

21 MINUTES OF THE MEETING

Further to minute no. 16 'The Way Forward', from the meeting held on 12 July 2016, DF advised that the cost of the Pensions Administration to each employer was 0.7% of their employer contribution rate. The cost of the Pensions Team charged to the Pension Fund was £429,000 for 2015/16.

In response for the Board request for benchmarking data DF explained that the Centre for Policy Study had commissioned a report to review the performance of the Local Government Pension Schemes which also provided some benchmarking information. The report was issued in December 2015 and included comparisons of 2014/15 and 2013/14 so it did not include up to date data. DF to distribute the report to the Board.

SB advised that benchmarking across onesource had stopped as the aim was to drive down costs but provide a good service.

The DCLG SF3 2015/16 data would be circulated to the Board when available.

With regard to KPI's these were included in the Annual Report and officers would look in to the feasibility of reporting these to the Board on a quarterly basis.

The 2016 triennial Valuation was expected around November and officers would be arranging for the actuaries to deliver a joint training session to both the Pensions Committee and Local Pensions Board. In addition to the valuation the actuaries were required to produce a like for like comparison with other funds.

22 LOCAL PENSION BOARD ANNUAL REPORT 2015/16.

JB and DH thanked JG for producing a draft Annual report. So far only Mark and Justin had made any comments/input.

JB asked that any comments be sent to him by Friday, 14 October so the Local Pension Board annual report could be finalised.

23 FAIR DEAL AND TUPE.

SB introduced JA who had been appointed as the Interim Pension Manager. He worked for the LPFA and has great experience. Before she left MJ had produced a draft TUPE manual and JA would be finalising this.

JA would be producing a priority list to agree with SB and report back to the Board.

The TUPE manual would be circulated to the Board in advance of the next meeting.

24 SUPPORT FOR THE LOCAL PENSIONS BOARD

SB informed the meeting that she had arranged a meeting with Havering's Monitoring Officer to discuss legal issues and support for the Board.

SB then spoke about the transformation of Transactional Services.

She gave an assurance that JA would be attending all future meetings of the Board.

Staffing in general had been a problem. SB wanted a good Pensions Manager but she had been unable to recruit anyone suitable. She had looked at the pool of interim's that were available and none fitted the profile. The solution was to reach an agreement for JA's services from LPFA.

SB had launched a restructure for Pensions Administration across Havering and Newham, but this had been abandoned following the loss of 4 members of the Havering team.

Work which needed to be undertaken by the Pensions Administration Team included the preparation of a Pension Administration Strategy and a review of the Additional Voluntary Contributions providers.

By taking on JA, SB had given herself 6 months breathing space to look at a shared service approach.

JB asked SB whether or not the customers (the employers) had been advised of the changes. SB confirmed that there had been no consultation with Employers or any communication regarding the changes.

There was a single point of contact for employers and employees and this needed to be re-identified to everyone.

SB explained that previously she had attended the Head Teachers and Bursars Forums and was happy to do so again, but had not received notice of any recent meetings.

DH advised of the possible changes in the FE sector with either a Hard Federation or merger in 2017. There would be a need for some tailored communications to this sector.

JB referred to the termly payroll meetings with Bursars. The employers had found this very useful but since KB had left these had not happened.

SB stated she may look to reinstate these as a shared service meeting involving payroll, pensions and HR.

JA referred to Code of Practice 14 which could serve as a template for Board to review.

As indicated he would be preparing a list of priorities to discuss with SB.

The good news was the members self service was to be launched soon.

Actives and deferred was also to be launched on line and there would be an option for members to opt out of electronic communication.

Valuation data submitted to the actuaries, by Pensions Administration, had been praised by the actuaries for its accuracy.

25 FEEDBACK FROM THE MEETING OF THE PENSIONS COMMITTEE HELD ON 20 SEPTEMBER 2016.

DF provided feedback from the meeting of the Pensions Committee on 20 September 2016.

The Pension Fund accounts had been submitted for approval. These showed that the value of the fund had decreased by £2m compared with the previous year.

There were 35 employers in the fund; details of the administration cost were as advised earlier in the meeting.

- Havering Council had increased the level of deficit funding by £8.8m over the year;
- A key element had been the group transfer of staff employed by CEME over to the Barking and Dagenham Fund;
- Investment Management costs had increased by £1m over the year;
- The Fund had commenced the transfer of Funds to the London CIV during the year and this had led to an initial increase in costs;
- Interest from the Pooled Investments would be reinvested in the Fund.

The Annual Report had also been reported to the Pensions Committee prior to publication. From 2017/18 there was a proposal that this would become a primary reporting document.

The Annual report showed that many of the KPI's had not been met but this reflected an increase in the volume of work facing the Pensions Administration Team.

JA informed the meeting that he would be looking to introduce the monitoring tools used by the LPFA to assist in getting data collected for the KPI's.

The final item was the GAD Section 13 review. DF reported that Havering had one amber flag, because of low funding levels. Following the triennial valuation it would be important for the Council to demonstrate how it would reduce the deficit.

DH and JB commended DF and her team on the outcome of the audit on the accounts.

26 **ANY OTHER URGENT BUSINESS**

There was no urgent business.

Chairman

LOCAL PENSION BOARD

ANNUAL REPORT

2015/16

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Chair's opening remarks.

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

Introduction

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

Role of the Local Pension Board

1. The role of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to: -
 - Assist the London Borough of Havering Administering Authority as Scheme Manager:-
 - To secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
 - To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
 - In such other matters as the LGPS regulations may specify;

- Secure the effective and efficient governance and administration of the LGPS for the London Borough of Havering Pension Fund;
 - Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
2. The Pension Board will ensure it effectively and efficiently complies with the code of practice of the governance and administration of public service pension schemes issued by the Pension Regulator;
 3. The Pension Board will also help ensure that the London Borough of Havering pension Fund is managed and administered effectively and complies with the code of practice on governance and administration of public service pensions schemes issued by the Pension Regulator;
 4. The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively;
 5. In support of its core functions the Board may make a request for information to the Pensions Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing;
 6. In support of its core functions the Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Membership of the Board

The Board shall consist of 4 voting members, two representing employers and two recommending scheme members.

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

Substitute members are not allowed.

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

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

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

Board Meetings

The Board was formed and had its first formal meeting on the 26th August. It met on three occasions up to the end of the financial year.

Meetings took place on 26 August and 7 October, 2015 and 6 January 2016,

Matters discussed by the Board

The following matters have been discussed by the Board:

- Appointment of Chair – Justin Barrett was appointed Chair until the first meeting following the Annual Meeting.
- Terms of Reference – The Terms of Reference as revised were agreed and signed by the Chairman.
- A draft Work Plan for the year was adopted which included :-
 - Fair Deal and TUPE Transfer;
 - Review of Governance Compliance Statement, training and development strategy and how this is implemented;
 - Tendering Processes for Fund Managers;
 - Pooled Investments;
 - Risk Strategy Review;
 - Pensions Administration Strategy and Benchmarking;
 - Early Redundancy Gap – Impact on Pensions; and
 - Rationalisation of member Organisations and Impact on deficit payments.
- The areas of the workplan discussed were:-
- Fair Deal and TUPE Transfer
- Review of Governance Compliance Statement, Training and Development Strategy
- Common Investment Vehicle
-
- Details of the Board's budget was discussed, this included provision for the training of Board members.

Pensions Committee Annual Report 2014/15

Training

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

To summarise:

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

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

Individuals have also completed on line learning from the Pensions Regulator amongst other individual learning tasks.

All members have undertaken a training needs analysis.

Training has been planned for the future which is detailed in Appendix 2.

The Future

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

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

We would also like to know from the Pensions Committee whether they were happy with the Pension Administration performance in achieving or not achieving its KPI's and whether those measures were the ones which they should be focussing on.

We wish to finalise our review of Fair Deal and TUPE and have a report on how the current changes, i.e. introduction of Multi Academy Trusts and College reorganisation would impact on the Pension Scheme. DH advised that under the current proposals colleges could merge, not necessarily on geographic location and staff could be transferred from one scheme to another.

With regard to risk assessment we would be seeking an assurance that the risk strategy had been updated to meet the current needs with specific reference to the possible threats to Havering.

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

Appendix 1

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

Appendix 2

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

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

23rd September 2016

Dear Sarah

On behalf of the Pensions Board I have a couple of queries that I would like answered please.

Firstly in our meetings we have been discussing for some time now access to contracts for admitted bodies, evidence that these meet with current legislation and that all members of the LGPS are protected. Legal in Havering have not permitted this and seem not to recognise that we have a governance role.

We would like you to intervene and advise council officers that any documents and assurances that we request should be made available to us so we can fulfil our responsibilities.

Secondly, given Mo will soon be departing, who from the LA will be supporting the board and providing the link and guidance from the operational and strategic side in order to advise the board.

I look forward to your response.

Regards

Justin Barrett

1st November 2016

Dear Justin

Further to your email requesting access to contracts for admitted bodies, I confirm that the approach I am taking is to share with you an Admitted Body contract and Legal Services are proposing to prepare a note of all the issues that are addressed in any agreement.

Please confirm this meets with your request.

Kind regards

Sarah Bryant | Director of Exchequer & Transactional Services

oneSource

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
22 November 2016 (7.00 - 7.25 pm)**

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman) and Jason Frost

Residents' Group Stephanie Nunn and Nic Dodin

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Trade Union Observers: Andy Hampshire

Apologies were received for the absence of Councillor Melvin Wallace, John Giles, (Trade Union observer) and Heather Foster-Byron (Admitted/Scheduled Bodies Representative).

All decisions were taken with no votes against.

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

21 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 20 September 2016 were agreed as a correct record and signed by the Chairman.

22 SERVICE REVIEW OF THE PENSION FUND CUSTODIAN

Officers informed the Committee that they had undertaken a review of the performance of the Pension Fund's Custodian, State Street. State Street had 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 had 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 had produced accounting reports that were similar to those produced by the fund's investment managers. They had kept a record of the book costs and the holdings in the various asset classes and had 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 had been used for producing the accounts. Reports currently produced by State Street had been in a format that could be used to comply with the International Financial Reporting Standards (IFRS).

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

Officers had identified issues with a number of reconciliations, however, they were confident that these could be resolved with State Street.

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 **noted** the report.

23 **INVESTMENT ADVISOR SERVICE REVIEW AND CONTRACT EXTENSION**

Officers had reported that they had 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 had been appointed in 2012 and the contract ran until 31st March 2017 unless terminated or extended by the Council in accordance with the terms of the contract.

The contract could be extended for an additional period of up to two years with the written consent of both parties, no later than three months before expiry.

The services provided by Hymans Robertson had 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 had carried out a due diligence review of the London CIV (Collective Investment Vehicle) prior to the initial transfer of assets to the London CIV and provided advice on the purchase of additional units in the Fund's property portfolio. 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 2015 to September 2016 has been £32,755, £28,255 for core services and £4,500 for the additional services. The cost of the additional services had 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 had two options with regard to the current contract:

- Grant contract extensions for any period up to two years from 1 April 2017 on the existing contract; or
- Re-tender for a new contract to commence from 1 April 2017.

Officers had advised the Committee that the 1 April 2017 deadline conflicted with a number of external priorities (pooling, MiFDII and new investment regulations) and therefore they were recommending that the existing contract be initially extended for a period of one year.

The National LGPS Framework were about to commence appointing to a new investment consultancy contract and this was likely to be made available from April 2017. The contract would be for a period of at least seven years and likely to be broken up into separate lots to make the new contract more flexible and more future proof. If the Committee extended the existing contract for one year it would give officers the time to consider the flexibility of the variety of lots on offer and assess whether there is merit and value for money in undertaking this process jointly with our oneSource partners whose own investment advisor contract will be considered for renewal in the same time frame.

The Committee:

1. **Noted** the report; and
2. **Approved** a one year extension of the existing contract for the provision of Investment Advice from Hymans Robertson LLP for the period April 2017 to March 2018.

24 **REVIEW OF GOVERNANCE COMPLIANCE STATEMENT**

Officers had informed the Committee that in line with the Local Government Pensions Scheme Regulations (LGPS) 2013 as amended by the LGPS (Governance) Regulations 2015 the London Borough of Havering as an administering authority had a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

Since the 1 April 2008 it had 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 had set out the Pension Fund's draft Governance Compliance Statement for November 2016 and had highlighted where changes might be required.

Changes to the Statement had been made to reflect the amendments made to new committee members.

Officers had 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 **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 had been informed that in October 2016 AON Hewitt, with support from CIPFA had developed guidance to support the Local Government Pension Scheme (LGPS) in demonstrating good practice

governance during the implementation of, and when participating in, LGPS asset pooling arrangements. The guidance had suggested reviewing the wording of the Local Authority's constitution and/or the Terms of Reference for the Pensions Committee to consider whether they may need to be refined to adapt with the new investment pooling arrangements. Any changes required would be reflected in the next review of the Governance compliance statement.

In the interim the Committee **agreed** that the Council's representative on the CIV should report back to this Committee on the decisions taken by the CIV.

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

25 **WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT**

The Committee had 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 2016.

Since the requirement had come into force on the 5 April 2005, no possible breaches have been reported to the named officer.

The Committee have **noted** the report.

26 **SERVICE REVIEW OF ACTUARY**

Officers reported that they had undertaken a review of the performance of the Pension Fund's Actuary, Hymans Robertson, for the period 1 October 2015 – 30 September 2016.

The Havering Pension Fund had joined the Croydon Framework in March 2015 to obtain Actuarial and Benefits Consulting Services. Hymans Robertson had been the appointed Actuary under this framework

agreement. The contract expired on 31 March 2018. Hyman's had been the Funds Actuary since April 2010 and no changes had been made to the Hyman's contacts as part of joining the Croydon framework but the Pension Fund had benefited from savings in procurement costs and fees.

The framework had 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 was designed to help meet those efficiencies together as part of the Croydon Framework.

The following criteria had been 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.

The contract had set out a detailed service specification for the Actuarial Valuation Service and other actuarial services required. Other actuarial services included:

- (e) meeting the requirements of FRS 17/IAS19;
- (f) admission of new bodies to the fund, including recommended employer contributions and bond assessments;
- (g) providing actuarial factors to enable the calculation of early or ill health retirements; and
- (h) advice and the provision of up-to-date information on topical issues.

The production of the triennial valuation was 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 last valuation had been at 31 March 2016 and the results were still awaited ad due in December 2016.

The Actuary had also provided advice regarding changes in legislation affecting the Pension Fund, reviews guidance, and provided scheduled and admitted body contribution rates and other calculations as required.

Since April 2015 the Actuary had undertaken the following:

2016 Formal Valuation

- Preparatory work for the 2016 valuation
- Preparation of letter outlining GAD section 13 valuations and what this means for the Fund

- Attendance at pre valuation meeting on 22 October 2015, including projected results for the valuation
- Provision of 2016 valuation guide
- Attendance at valuation meeting on 24 February 2016 to discuss possible contribution strategies for the Fund and to begin scoping an the ALM
- Continued liaison with GAD and software providers regarding the new universal data capture, including testing and feedback
- Attendance at meeting to discuss section 13 results on 26 July 2016
- Provision of salary growth analysis paper to evidence changes to the salary assumption
- Assistance with Whole Fund data cleansing including correcting software provider issues
- Whole Fund data reconciliation, calculations and initial results
- Asset liability modelling to assist setting the Council contribution rates and checking the investment strategy continues to underpin the contribution plan
- Attendance at meeting on 1 September 2016 to discuss initial results and asset liability modelling
- Further asset liability modelling of alternative scenarios
- Calculation of SAB standard funding ratio, including provision of actuarial certificate before the SAB deadline

Employers

- Final cessation valuations for Havering Citizens Advice Bureau and KGB Cleaners
- Indicative cessation valuation for Family Mosaic
- Advice on cessation valuation options for May Guernsey
- Provision of bond and contribution rate assessments, including ill-health budgets, relating to Accent Catering and Breyers
- Provision of contribution rate assessments for academies, including ill-health budgets, relating to Brookside Infants, Ravensbourne and Benhurst
- Recommendations on contribution rate for Drapers Maylands
- Work over the period to complete the bulk transfer of Elutec to London Borough of Barking and Dagenham Pension Fund

Governance

- Advice regarding the register of members' interest
- Advice on service restructuring and governance compliance

Training

- Delivered staff training on outsourcing

Accounting

- Produced IAS19 and IAS26 disclosures for the London Borough of Havering and FRS17/102 disclosures for the Colleges and Academies;

- Produced the actuarial statement for the statement of accounts;

General

- Provision of newsletters and help with publications including:
 - High Earners tax newsletter
 - Review of Conflict of Interest policy
 - Regular legislative updates, 60 second Summaries, Briefing notes

The cost of the actuarial services were:

- 1 October 2015 to 31 March 2016 £44,155
- 1 April 2016 to 30 September 2016 £81,370

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

- 1 October 2015 to 31 March 2016 £24,943
- 1 April 2016 to 30 September 2016 £32,620

The increase in fees during this period could be accounted for by the triennial valuation.

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

27 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.

28 EXEMPT MINUTES OF THE MEETING

The exempt minutes of the meeting of the Committee held on 20 September 2016 were agreed as a correct record and signed by the Chairman.

Chairman

Public Document Pack

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE Town Hall, Main Road, Romford 13 December 2016 (7.00 - 9.40 pm)

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman) and Melvin Wallace

Residents' Group Stephanie Nunn and Nic Dodin

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Trade Union Observers: John Giles (UNISON)

Apologies were received for the absence of Councillor Jason Frost, Andy Hampshire (GMB) and Heather Foster-Byron (Admitted/Scheduled Bodies).

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

29 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 22 November 2016 were agreed as a correct record and signed by the Chairman.

30 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPTEMBER 2016

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 September 2016 was 6.7%. This represented an outperformance of 2.5% against the tactical benchmark and represented an outperformance of 1.8% against the strategic benchmark.

The overall net return for the year to 30 September 2016 was 16.2%. This represented an outperformance of 2.6% against the tactical combined benchmark and an under performance of -7.9% against the annual strategic benchmark.

At the close of business on 30 September 2016 the total combined value of the fund was £640.81m this represented an increase of £38.48m from the

position at the close of business on 30 June 2016. Officers advised that as at the end of November 2016 the value of the fund stood at £6m.

The Committee **noted** the report.

31 **MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) II**

The Committee were advised that the consultation period for responses to the MiFID II proposals closed on 4 January 2017. This could have a significant impact on both the Pension Fund and the Council's treasury Management function. There were several areas of concern and both the London CIV and London Government Association were submitting responses. It was important that the Council also respond and the Committee **AGREED** to delegate to the Section 151 Officer authority to respond on the Pension Fund's behalf.

32 **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.

33 **HYMANS ROBERTSON REVIEW OF FUND PERFORMANCE FOR THE QUARTER ENDING SEPTEMBER 2016**

The committee **noted** the presentation from Hymans Robertson.

34 **STATE STREET GLOBAL ADVISORS (SSGA) - FUND PERFORMANCE TO 31 OCTOBER 2016**

The Committee **thanked** Jason Allan, the UK Head of Pension Funds for his presentation on the performance of the MPF All World Equity Index sub-Fund, the MPF Fundamental Index Global Equity sub-Fund and the MPF Sterling Liquidity Index sub-Fund. In response to questions Jason explained the methods used to ensure the tracking errors were kept to a minimum.

35 **PRESENTATION BY GMO ON PERFORMANCE OF THEIR GLOBAL REAL RETURN (UCITS) FUND**

The Committee **thanked** both Tommy Garvey, a member of GMO's Asset Allocation team and Helen Roughsedge, Client Relationship Manager for their presentation on the performance of GMO's Global Real Return (UCITS) Fund.

36 **LONDON CIV PRESENTATION**

Jill Davys and Julian Pendock presented on behalf of the London CIV discussing performance of the three funds they manage on behalf of the Pension Fund and proposals for the further development of the London CIV.

The Committee **thanked** them for the presentation.

37 **INVESTMENT STRATEGY**

The Committee **deferred** consideration of this item for decision at a special meeting to be called in January 2017.

Chairman

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of the Local Government Act 1972.

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