



Havering

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

LOCAL PENSION BOARD AGENDA

4.00 pm

**Tuesday
7 January 2020**

**Committee Room 1-
Town Hall**

Members 4: Quorum 3

Mark Holder, Scheme Member Representative
Denise Broom, Employer Representative
Anne Giles, Scheme Member Representative

**For information about the meeting please contact:
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luke.phimister@onesource.co.uk**

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 - 4)

To approve as correct the minutes of the meeting held on 1 October 2019 (attached) and authorise the Chair to sign them.

5 MONTHLY LPP PERFORMANCE REPORT (Pages 5 - 6)

Document attached.

6 COMPLIANCE CHECKLIST (Pages 7 - 10)

Document attached.

7 PENSIONS REGULATOR REVIEW (Pages 11 - 12)

Document attached.

8 COMMUNICATIONS CAMPAIGN (Pages 13 - 14)

Document attached.

9 RISK REGISTER (STANDING ITEM) (Pages 15 - 16)

Document attached.

10 CODE OF TRANSPARENCY (Pages 17 - 28)

Document attached.

11 TO RECEIVE FEEDBACK FROM RECENT MEETINGS OF THE PENSIONS COMMITTEE

Andrew Beesley
Committee Administration Manager

**MINUTES OF THE MEETING OF THE
LOCAL PENSION BOARD
Town Hall, Main Road, Romford
1 October 2019 (4.10 - 5.50 pm)**

Present:

Anne Giles (Scheme Member Representative)

Denise Broom (Employer Representative)

Mark Holder (Scheme Member Representative)

There were no apologies for absence.

All decisions were taken with no votes against.

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

3 DISCLOSURE OF INTEREST

There were no declarations of interest.

4 MINUTES OF THE MEETING

The Board members questioned whether the Terms of Reference had been updated.

Action: Luke Phimister to check Terms of Reference and circulate amended version to Caroline Berry for uploading to the website.

The minutes of the meetings held on the 20 August 2019 were agreed as a correct record and signed by the Chairman.

5 MONTHLY LPP PERFORMANCE REPORT

The members noted that there had not been enough time since the previous LPP Performance Report for any meaningful changes to have occurred however most case types were at 100% on time. The Board noted 2 complaints received by Pensions however these were the first complaints for some time and the number of complaints should reduce as cases on hold are completed. The Board agreed to discuss the quarterly LPP report with a case by case of those at the next Board meeting.

Members were advised that the increase of on hold cases may be due to being on hold in the wrong category, there may be duplicate cases where an employee has transferred from another service and has left before their case is complete or Pensions are waiting on an action from the previous

employer. The Board was advised that data may differ due to the monthly reports and the quarterly reports being compiled by different teams within LPP so in turn on different days of the month however, Caroline will endeavour to have these run as close as possible for the best comparison at the next Board meeting.

Board members expressed the view that for the LPP monthly performance report, they would prefer to have only Cases Completed Summary included in the forthcoming meeting agendas with the full report still available should they wish to review it. The Board also expressed that they would like LPP to be invited to attend every other meeting/ every 6 months with LPP being invited to the next meeting to be questioned over the quarterly report.

Action: Caroline Berry to reduce the LPP monthly report to the singular page stated above and to invite LPP to the next Board meeting.

6 COMPLIANCE CHECKLIST

The Board noted that there are no longer any red sections in the compliance checklist. The members noted that B12 is ongoing and the deadline has been pushed back to 31/12/19. The members also noted that C7 and D2 are complete and F9 has a draft data improvement plan in place but it still needs to be formalised. It was advised to the Board that I4 had not changed as they are still to liaise with employers and an update will be provided at the next meeting as it is to be presented Pensions Committee in December.

7 PENSION REGULATOR REVIEW

The Board noted the high level of transparency offered by Havering when assisting with the Pensions Regulator Review. The Pensions Regulator Review stated havering could easily evidence their data improvement plan even though it isn't in place yet. Members noted that the Pensions Committee is keen for the Local Pensions Board to set up a data log or similar to follow up on the review. The members were advised that there were still areas Havering could improve however overall the Pensions Regulator Review was impressed with Havering. Members were also advised that Pensions Regulator may come back to Havering in the future to see if havering has adopted best practise in line with this review.

Action: Caroline Berry to bring action plan to next Local Pension Board meeting

8 COMMUNICATION CAMPAIGN

The Board was advised that Pensions need advice on how to communicate effectively with external staff, for example, School Business Managers. The members put forward ideas for posters, leaflets for teacher's annual budget packs, flyers in pigeon holes, email to the generic office email for schools to be distributed, and posts on the resources section in the HES portal. Other

suggestions were roadshows on inset days in schools, face to face sessions, for example, “Lunch and natter” events where staff can discuss at lunchtime.. The Board noted that more guidance needs to be given to managers whose team members are taking a flexible retirement.

Action: Caroline Berry to give update and the next Board meeting

9 **RISK REGISTER (STANDING ITEM)**

The Summary of Further Actions for discussion and a hand out of details of 2 amendments to the Risk Register were circulated.

- The first item outlines the risk of LCIV staff turnover, how this undermines investor confidence and how the MTFS prediction may fail to reach the target, meaning that annual development charges may not decrease as expected. The Board noted that to mitigate this risk, development costs are reported by the LCIV at the General Shareholder meetings and monitoring meetings that are held quarterly between Havering officer and the LCIV client relations team. The Board agreed to add this risk to the register and for the LCIV development costs to be monitored as an action.
- The second risk details the non-compliance of Fund managers to the Code of Transparency. The consequence is that Havering may not be able to disclose full costs in the Pensions Fund Annual report, so to mitigate this, Fund managers are encouraged to complete the compliance template annually at the end of the financial year and the Board agreed to include this on the risk register with the scrutiny of compliance to be an action.

10 **CODE OF TRANSPARENCY**

The report presented to the Board details which Fund managers have voluntarily opted to be compliant with the Code of Transparency. The table on page 107 shows which fund managers are or are not yet compliant with the Code.. Members asked for basic training to be delivered at the next Board meeting to aid their understanding of the pooled accounts, the returns for each fund manager and the fees Havering pays for each fund manager.

Action: Debbie Ford to create a spreadsheet breaking down the returns and fees for each Fund manager for the next Board meeting.

11 **WORKPLAN**

The Board noted that point 3 was in relation to Item 7 and that point 6 was to be discussed if there were any changes or amendments made to the rules. The Board also noted that the future LPB meeting dates had not been circulated to the members so they asked the clerk to circulate them.

Action: Luke Phimister to circulate dates of next meetings.

12 TO RECEIVE FEEDBACK FROM RECENT MEETINGS OF THE PENSIONS COMMITTEE

There was no update of the previous Pensions Committee presented to the Board. The minutes of the previous Pensions Committee held on the 17th September 2019 and the minutes for the Special Pensions Committee meeting due to be held on 12th November 2019 will be included on the agenda for the next meeting.

Chairman

November 2019 - numbers now include online submissions that were not previously included

Agenda Item 5

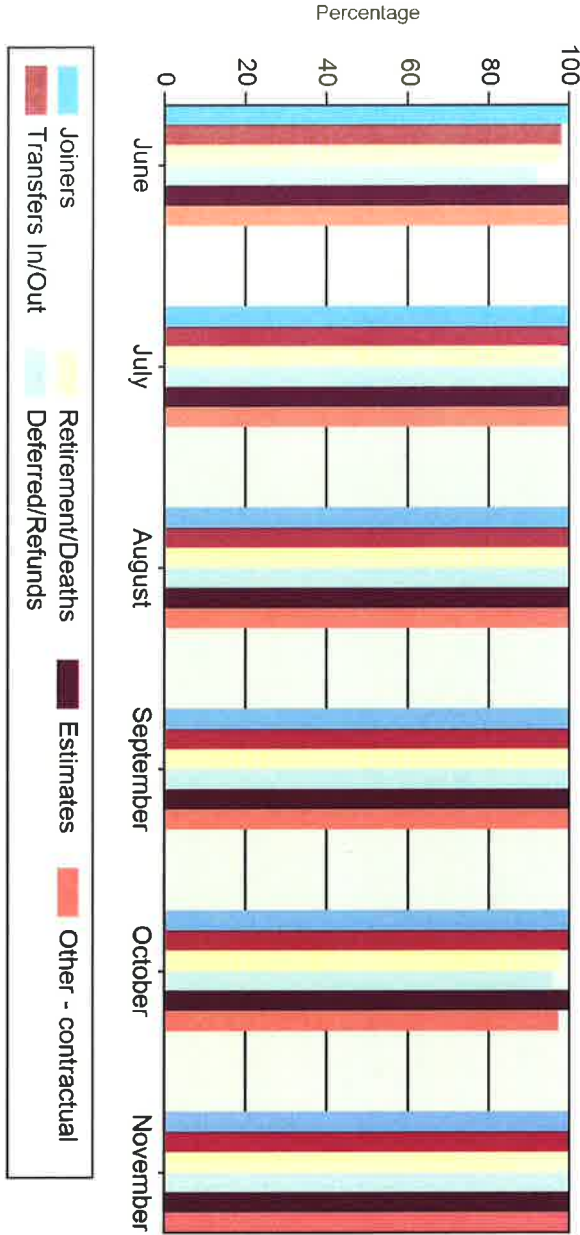
2. Cases completed summary

This is a grouped summary of all cases processed this month.

These figures include other lower profile cases included in the Service Level Agreement such as changes of hours, benefit revisions, GMP or DSS correspondence for example. These figures can be broken down or expanded upon request.

Description	B/fwd	Rec'd	Complete	On Time	% OT	C/fwd	Average Completed Time	Average Elapsed Time
Joiners	89	98	140	140	100.00	47	12	35
Transfers In/Out	198	74	97	97	100.00	176	18	49
Retirement/Deaths	248	69	70	70	100.00	247	17	42
Deferred/Refunds	321	52	75	75	100.00	298	24	63
Estimates	41	38	50	50	100.00	29	6	14
Other - contractual	161	48	62	62	100.00	147	17	33
Total	1058	379	494	494	100.00	944		

Percentage of cases on time



Workload History

October 2019

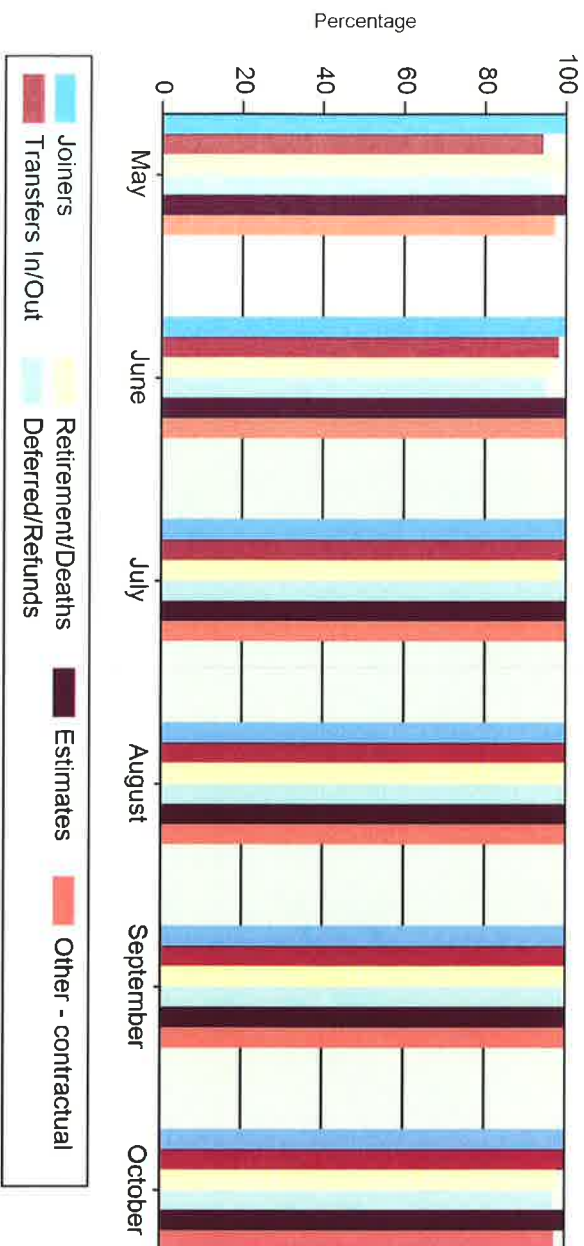
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Description	B/fwd	Rec'd	Complete	On Time	% OT	C/fwd	Average Completed Time	Average Elapsed Time
Joiners	42	3	7	7	100.00	38	12	33
Transfers In/Out	204	39	48	48	100.00	196	17	51
Retirement/Deaths	208	52	51	50	98.04	209	15	36
Deferred/Refunds	190	18	34	33	97.06	174	22	59
Estimates	40	51	51	51	100.00	40	8	14
Other - contractual	163	41	46	45	97.83	158	10	19
Total	847	204	237	234	98.73	815		

Percentage of cases on time



Workload History

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Check	Compliant	Deadline
Reporting Duties			
A1			
A2			
A3			
Knowledge and Understanding			
B1			
B2			
B3			
B4			
B5			
B6			
B7			
B8			
B9			
B10			
B11			
B12			31/12/2019
Conflicts of Interest			
C1			
C2			
C3			
C4			
C5			
C6			
C7			
C8			
C9			
C10			
C11			
Publishing Information			
D1			
D2			
D3			
D4			
Risk and Internal Controls			
E1			31/03/2020
E2			31/03/2020
E3			
E4			31/03/2020

E5			
E6			
E7			31/03/2020
E8			31/03/2020
Maintaining Accurate Member Data			
F1			
F2			
F3			31/03/2021
F4			
F5			
F6			
F7			31/03/2020
F8			
F9			31/12/2019
F10			
F11			
Maintaining Contributions			
G1			
G2			
G3			
G4			
G5			
G6			
G7			
G8			
G9			
Providing Information to Members and Others			
H1			
H2			
H3			
H4			
H5			
H6			
H7			
H8			
H9			
H10			
H11			
H12			
Internal Dispute Resolution			
I1			
I2			
I3			

I4			31/03/2020
I5			
I6			
I7			
I8			
I9			
Reporting Breaches			
J1			
J2			
J3			

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Area of Focus - Record Keeping	tPR Comment	What's already in place	Action required
Data Scores	Considering how high these figures are, we recommend that you sense-check these figures with LPP and where appropriate, challenge them in order to establish your full confidence in its accuracy and what is being measured	LPP have established their own method of calculating the data score, which is run annually.	Hymans Robertson have provided guidance on scoring the accuracy of our data. This is to be reviewed and discussed with LPP as part of the data improvement plan.
Monthly Data Collection	Many scheme managers have moved from annual to monthly data collection and found this enabled them to verify data at an earlier stage		Discussions with LPP to be progressed to ensure monthly data collection is implemented as soon as possible for LB Havering paid staff. Engagement with externally paid employees will then be required.
Data Improvement Plan	A robust data improvement plan should be implemented as appropriate	Draft plan recommended by Hymans Robertson following workshop with contract manager	Update the plan and work with LPP to implement
Pensions Administration Strategy	Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The pension board should review the PAS and ensure it will stand up to challenges from employers.	Charging Policy	PAS to be written and implemented

Area of Focus - Internal Controls			
Risk Register	A comprehensive risk register which captures operational activities to mitigate risks with deadlines and owners - delegated individuals by senior managers - is an effective tool to monitor progress addressing risks and their impact on scheme manager's objectives. It also forms a solid base at the pensions board meetings which may help its members to have useful debates.	Risk register is reviewed annually and is now a standing agenda item at pension board meetings.	revisit COP14 para 100-120
	We recommend that the scheme manager aligns the various risk registers and will include all risks related to pensions (directly or indirectly) within the pension risk register.		Ensure that everything is captured and aligned
Breaches	We recommend that the scheme manager keeps a breach log with details such as actions taken to assess materiality, individuals involved in the assessment,		Ensure that a log is created and a procedure is in place
Decision Making and escalations	Set out decision making authority and escalation points and develop a decision log or similar. We would view it as good practice for the decision making authority of more junior staff members and escalation points are also recorded.	Scheme of Delegation in place for senior members of staff.	To be considered keeping in mind the small number of staff that this will apply to

Area of Focus - Communication			
Member communications	It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys	Since the move to the LPP contact centre, members are asked to complete a survey following telephone or email communication.	To review results of Havering specific surveys
Annual Benefit Statements	We encourage the scheme manager to look into ways of further promoting the take up rate of the online portal.	Member self service is promoted by LPP through various standard letters, including all new starters.	To be included as part of the communications strategy

IDRP	Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund. You may wish to consider capturing all complaints in one single complaints log to assist with monitoring.	Log to be established
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Area of Focus - Cyber Security			
Cyber Security - Third Party	Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data	LPP has provided accreditation and assurance that policies are in place	LPP to supply client facing documents to provide details of all policies and controls in place for data security.
	Scheme manager to monitor spam and quarantine reports from LPP as a minimum and ensure that any tests or accreditations cover all relevant aspects of pension administration	Cyber Security is now a standing agenda item for client review meetings	To discuss with LPP how this can be implemented and monitored.

Area of Focus - Scams		
Due Dilligence	Please discuss due dilligence activities LPP carries out in relation to receiving schemes; ask for their procedures and feedback after reviewing them to ensure all appropriate steps are covered and they are followed in practice.	To be raised at a future client review meeting.

Pensions Communications Campaign

Background

Following a review by the Pensions Regulator, outsourcing of the pensions administration function and feedback from stakeholders, it has become apparent that we need to raise awareness of pensions and the tools available to members.

Aims

- To encourage all pension scheme members to sign up for My Pension Online - Member Self-Service
- To ensure staff are aware of the pension website and the information that is available
- To ensure staff are aware of the correct contact details for pension related queries
- To manage the expectations of scheme members and their managers for pension matters
- To encourage engagement with scheme employers

Item	Medium	Audience	Frequency	When
MPO - Member Self Service	LBH Pop Ups	LBH Corporate Staff		
	Core Brief			
	Intranet Page			
	Global News			
	Leaflet	Satelite Offices		
	Leaflet	School Staff		
Expression of Wish forms	LBH Pop Ups	LBH Corporate Staff		
	Core Brief			
	Intranet Page			
	Global News			
	Leaflet	Satelite Offices		
	Leaflet	School Staff		
Pensions Website	LBH Pop Ups	LBH Corporate Staff		
	Core Brief			
	Intranet Page			
	Global News			
	Leaflet	Satelite Offices		
	Leaflet	School Staff		
LPP Contact Details	LBH Pop Ups	LBH Corporate Staff		
	Core Brief			
	Intranet Page			
	Global News			
	Leaflet	Satelite Offices		
	Leaflet	School Staff		
Retirement Process	Core Brief	LBH Corporate Staff		
	Pensions Website (Factsheet)	All Staff		
	Intranet (link to Factsheet)	LBH Corporate Staff		
	Email (Factsheet)	External employees		
	Email (Factsheet)	School Staff		
	Factsheet	Satelite Offices		
Ad Hoc Pension Sessions				
Pension Roadshows				
School Business Managers Network				

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Havering Pension Fund – Risk Register – Summary of Further Actions for discussion

Summary of Amendments to the Risk Register since October 2019 - for Discussion

Risk No	Risk Title (Objective)	Consequence of not achieving the objective	Controls/Mitigations	Amendment
3 Risk of Failure to perform in line with growth expectations	Climate Risk Considerations	<p>There is a growing regularity for long-term investors to consider the extent to which climate change could impact on financial outcomes.</p> <p>The Pensions Regulator has set up a working party to consider guidance for pension schemes which will be published in early 2020. The Scheme Advisory Board is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020.</p>	<p>In its investment beliefs the Committee recorded a belief that climate change and the expected transition to a low carbon economy represents a long –term financial risk to Fund outcomes. We expect that the guidance will broadly follow the framework proposed by the Taskforce for Climate-related Financial Disclosures (TCFD)</p> <p>Following this framework, the Committee could consider actions including:</p> <ul style="list-style-type: none"> • Further training • Measuring exposure to and reporting. • Escalating engagement with investee companies on climate-related topics. 	To monitor on – going discussions between the TPR and Government regarding regarding Climate Change and the strategies

			Next steps would be taking the Committees investment beliefs and building on developing market practice.	
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If the board agrees to add the above risks to the register they will be added to the register which will be presented at the next Local Pension Board meeting on 31st March 2020 .

LGPS Code of Transparency

Training

Objective

- A general overview of the LGPS Transparency Code
- Rationale for the Code
- Implementation of compliance to the Code
- Effect on the Pension Fund Accounts

Rational for the code

- A voluntary Code of Transparency into investment management fees and cost was developed and approved by the scheme advisory board (SAB) was launched in May 2017
- The Financial Conduct Authority wanted to see a more consistent and standardised disclosure of costs and charges for institutional investors, providing a clearer understanding of costs and charges for a given fund or mandate.
- This would allow investors to compare charges between providers giving them a clear expectation of the disclosures they can expect

Implementation of compliance to the Code

- Fund Managers have been encouraged to sign up to the code
- 9 out of 11 funds within the Havering Portfolio have confirmed they are transparency compliant
- Templates have been developed to evidence all costs and charges, previously unseen
- A Compliance and Reporting System is being developed which will enable managers to evidence compliance with the code, via a single line portal

Effect on the Pension Fund Accounts

The major effect the code will have on the Pension Fund Accounts is to give a clearer and more accurate disclosure of the management costs incurred, these are made up of

- Direct Costs – Management Fees invoiced directly from Investment manager
- Indirect Cost – Costs deducted from the value of the fund

It is the indirect costs that the code is trying to address, in the past they have been hidden by offsetting these against the value of the fund, so we have not always know the true cost of these.

Effect on the Pension Fund Accounts

The bottom line value of the fund will not be effected by the changes to the code, it is just a matter of reporting the management cost in a different place in the accounts

See following examples

Example 1 – Before Indirect Fees adjustment

Fund Manager SORP £mil				
Value of fund XXXX	purchases	Sales	Change in market Value	Net Value of Fund
694	60	40	17	731
The indirect fees have already been deducted from the fund value by the fund Manager				
Management Fees				
Direct Fees			-3	

Example 1 – Net Asset Statement before Indirect Fee Adjustment

Net Asset Statement (Abbreviated Version for example only)				
				£mil
Contributions				40
Benefits				-38
Net additions (withdrawals) from dealings with mem				2
Manangement cost				
Direct Costs (invoices)				-3
Net additions/(withdrawals) including fund manager				-1
Investment Income				10
Profit Loss on disposal of Investments and change in Market Value				17
Net returns on investments				27
Net increase (decrease) in the net assets available for benefits during the year				26
Opening net assets of the Fund at start of year				707
Closing net assets of the Fund at end of year				733

Example 2 – After Indirect Fees adjustment

As the indirect fees have already been deducted from the fund value, to correct this we increase the sales figure and the closing change in market Value
See example below

Value of fund XXXX	purchases	Sales plus indirect fees added back	Change in market Value increased by indirect fees	Net Value of Fund
700	60	40	17	737
Indirect fee Adjustment		1	1	
700	60	41	18	737

The indirect fees are then deducted from the value of the fund through the Management cost disclosure

Mananagment Fees		
Direct Fees		-3
indirect fees		-1
		-4

Example 2 – Net Asset Statement before Indirect Fee Adjustment

Net Asset Statement (Abbreviated Version for example only)				
				£mil
Contributions				40
Benefits				-38
Net additions (withdrawals) from dealings with mem				2
Manangement cost				
Direct Costs (invoices)				-3
indirect costs				-1
				-4
Net additions/(withdrawals) including fund management expenses				-2
Investment Income				10
Profit Loss on disposal of Investments				18
Net returns on investments				28
for benefits during the year				26
Opening net assets of the Fund at start of year				707
Closing net assets of the Fund at end of year *				733
*Closing net assets at year end not effected by adjustment				

Zero Effect on the Closing Net Asset Value

- As shown in example 2, the effect of the adjustment made for the disclosure of the indirect fees on the net asset value is zero
- We increased the Management costs (by including the indirect fees) which has been offset by the increased change in market value.
- This adjustment meets the objective to give a clearer and more accurate disclosure of management costs incurred as laid out by the Transparency code

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