

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
21 November 2017 (7.00 - 8.30 pm)**

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman), Melvin Wallace and
Joshua Chapman

Residents' Group Stephanie Nunn and Nic Dodin

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

**Admitted/Scheduled Bodies
Representatives:**

Trade Union Observers: John Giles

Apologies were received for the absence of Councillor Viddy Persaud.

All decisions were taken with no votes against.

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

18 DECLARATIONS OF INTEREST

There were no declarations of interest.

19 MINUTES OF THE MEETING

The minutes of the meeting held on 19th September, 2017 were agreed as a correct record and signed by the Chairman.

20 ANNUAL REVIEW OF THE CUSTODIAN

The report before members reviewed the performance of the custodian, State Street, for the period October, 2016 to September, 2017.

The Global Custodian, State Street operated a wide range of functions during this time period. These fell into two main categories; safe keeping

and custody together with Investment Accounting and reporting, all detailed within the report.

The services provided were reviewed to ensure best value for money and confirm that the fund is benefiting from all of the services the custodian could offer. The performance was assessed against specific criteria detailed in the table at paragraph 2.3 of the report.

In conclusion, officers were satisfied with the safe keeping and custody functions provided by State Street custodians. They were pleased with the overall investment accounting and reporting functions but will continue to work with them to drive improvements in the level of service.

Estimated costs for the service over the relevant period are estimated at £24,365 which represents a reduction compared to the previous year. This is due to the Fund's use of pooled funds which reduced the custody and transaction charges. Consideration will be given to changing the use of a custodial service once the Fund knows which assets will be held outside the London CIV.

The Pensions Committee:

- **NOTED** the views of Officers in respect of the performance of the custodian.

21 **ANNUAL REVIEW OF THE ACTUARY**

The report before members reviewed the performance of the Actuary, Hymans Robertson for the period between 1st October, 2016 to 30th September, 2017, and recommended that the Committee note the views of officers on this performance.

Hymans Robertson has been the Fund's actuary since April, 2010 and the current contract will expire on 31st March, 2018 which will necessitate the procurement of future Actuarial, Benefits and Governance provision.

During the relevant time period the Actuary has undertaken many activities including:

- the 2016 formal valuation,
- advice, assistance and support to employers, including the final cessation valuations for Family Mosaic and contribution rate assessments for academies;
- Training for both officers and the Pension Board.
- Accounting and;
- General tasks including the production of the TUPE Manual and Admission Policy.

Officers concluded that services supplied were delivered in a timely matter and were good/excellent quality and were very satisfied with the services provided by Hymans Robertson.

The Pensions Committee:

- **NOTED** the views of officers on the performance of the Actuary from 1st October, 2016 to 30th September, 2017.

22 ANNUAL REVIEW OF THE ADVISOR

The report before members reviewed the performance of the Investment Advisor, Hymans Robertson for the period September, 2016 to September, 2017 and recommended that the Committee note the views of officers in respect of this performance.

The law states that the Fund must seek proper advice regarding investments and in relation to the appointment of investment managers. In accordance with Myners principles number 2, the Committee in setting out the overall objectives of the Fund, should take proper advice and appoint advisors in open competition.

Members undertake an annual assessment of the Investment Adviser performance. Hymans has been the Fund's Advisor since 2006 and was appointed to provide Investment Advisory services in April, 2012. The contract was extended for one year and expires on 31st March, 2018.

The services provided included production of the quarterly monitoring performance reports, attendance at Pensions Committee meetings providing questions for officer meetings with Fund Managers, investment advice and performance monitoring of the Fund's investment managers. They have also been involved in discussions with the London CIV on progression of the Fund's investment strategy.

The table set out in paragraph 2.6 of the report details the performance assessment against the established criteria and was discussed with the adviser.

Feedback in respect of this was very positive and officers concluded that Hymans delivered a good service and had confidence in the advice being given.

It was observed that costs had increased on the previous year by £26,140. This increase was mainly attributable to the preparation and production of the Investment Strategy Statement and progression of the investment strategy.

The Pensions Committee:

- **NOTED** the views of officers in relation to the performance of the investment Advisor.

23 REVIEW OF GOVERNANCE POLICY

The report before Members was presented as part of the statutory duty to prepare and publish a report for consideration, outlining the extent of compliance against the best practice principles published by the Department of Communities and Local Government (DCLG).

The report set out the pension fund's draft Governance Compliance Statement for November, 2017 and indicated where changes may be required.

Members considered the statement and following discussion noted the appropriate changes.

- The membership of the meeting changed following the AGM of Council, (Paragraph 2.1 of the Statement depicted in the table).
- A new update was given at Paragraph 5.2 of the Statement regarding the development of a Joint Training Strategy which had been developed and adopted by the Pensions Committee and the Board. There was no requirement to consult on this issue because the changes were very minor.
- Members noted that the London Borough of Havering were compliant save in section B (iii) of the table regarding independent professional observers. Following discussion, Members agreed that this would not change. The Pension Fund is very small in comparison to other Local Authorities and therefore it was agreed that no change would be made at this stage.

As detailed above, **The Pensions Committee:**

- **Considered and agreed** the changes within the Governance Compliance Statement.

24 **REVIEW OF INVESTMENT STRATEGY STATEMENT**

The report before members was presented in line with the Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 which requires an administering authority to formulate an Investment Strategy Statement (ISS) which must be produced in accordance with guidance issued by the Secretary of State.

The Financial Reporting Council (FRC) Stewardship Code gives guidance and states that the ISS must include the Authority's policy on the exercise of the rights attaching to investments. In order to comply with the Code the ISS includes the statement "At the time of production of the ISS the Fund has not issued a separate Statement of Compliance with the Stewardship Code"

Members gave consideration to issuing a separate statement of compliance with the Stewardship code, and agreed they would do so. In so deciding,

Members indicated they would like to see another report setting out the full seven Myner's Investment Principles.

Members considered the ISS and noted the changes within it:

- On page 53 of the Agenda pack a new paragraph 3 had been inserted
- Table 1 on Page 53 had a new column inserted "Long-term Target Investment Strategy"

Members also gave consideration to the Environmental, social and governance (ESG) risks and agreed that further information would be most welcome to ensure fully informed decisions are made in this regard.

Pensions Committee:

1. Agreed the proposed changes to the ISS
2. Noted that no revisions were made in respect of reporting compliance against the Myner's investment principles so that the document will remain the same as the version published in March 2017.
3. Agreed that a further report regarding the seven Myner's Investment principles be brought to the next meeting.
4. Agreed that a separate statement of compliance with the Stewardship Code would be produced.

25 PROCUREMENT OF ACTUARIAL SERVICES AND INVESTMENT MANAGEMENT CONSULTANCY

The report before Members sought authorisation to procure Actuarial Services and Investment Management Consultancy Services to the Pension Fund using the National Local Government Pension Scheme (LGPS) Frameworks.

An amendment was made to the report to delete paragraph 1.5 and it was noted that Appendix A was added in error.

The Framework for procurement was as a result of collaboration between a number of founding LGPS funds. It will remove the need to run a best practice OJEU (Official Journal of the European Union) equivalent full tender exercise when procuring a longer term, single supplier relationship thereby reducing the duration of the procurement process and ensuring value for money. The Framework would be sent out to Members.

It is split into four lots and commenced in July 2016, open for four years and contracts awarded may be for a period up to seven years.

Four service providers cover all four lots. Officers will undertake any procurement by assessing the most appropriate lots to procure the length of contract. There is a cost to join the framework which is capped at £5000 for all lots. The procurement process itself will be undertaken in accordance

with the Contract Procedure Rules and will be published if necessary on the Council's Forward Plan of key decisions.

The Pension's Committee:

Agreed:

- To join the National Framework for Actuarial, Benefits and Governance Consultancy Services.
- To join the National Framework for Investment Management Consultancy Services
- To hold the service provider interviews before the Pension Committee as part of the further competition process.

Delegated:

- To officers as appropriate to undertake the procurement of the Actuarial service provider
- To the s151 Officer to award the Actuarial Services Contract at the completion of the procurement exercise.

26 EMPLOYER OUTSOURCING GUIDE FOR HAVERING LGPS SCHEME EMPLOYERS

The report before Members introduced the Pensions – Employer Outsourcing Guide.

Members had the benefit of a full training session in relation to this before the Committee Meeting commenced.

The report provided an overview of the LGPS implications and procedures detailed in the Guide.

There were no employer responses received.

The Pensions Committee:

- Noted the Pensions – Employer Outsourcing Guide.

27 HAVERING PENSION FUND ADMISSION POLICY

The report before members presented the London Borough of Havering's Pension Fund Admissions Policy.

There were no responses to the consultation process.

Members agreed to an amendment that the policy replaces all previous policies on admission bodies and bulk transfers and is effective from 22nd November, 2017.

The Pensions Committee:

- **Noted** the London Borough of Havering's Pension Fund Admissions Policy.

28 WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT

The report presented to members detailed the Whistleblowing requirements of the Pensions Act, 2004. These provisions came into place on 6 April, 2015.

The basic requirement is that nearly all persons who are involved with a pension scheme have a duty to report to the Pensions Regulator where they have reasonable cause to believe that there has been a breach in the law, relevant to the administration of the scheme which is likely to be of material significance to the Regulator. The pensions Regulator has issued a Code of Practice which sets out the guidance for compliance.

Members noted that along with a number of other Funds, Havering did not manage to deliver the annual benefits statements to deferred members by the statutory deadline of 31 August, 2016. This was due to a lack of resources at this time. The statements were however distributed by 18 October, 2016.

The non-compliance was reported to the Pensions Regulator and was informed of future processes to mitigate the risk of this happening again. There has been no further action or correspondence received from the Pensions Regulator.

A robust plan has been put into place to mitigate the risk of not meeting the deadline going forward and the deadline for 2017 was met.

Members agreed to delete the third paragraph on page 163 of the agenda and noted that there were no background papers for the report.

The Pensions Committee:

- **Noted** the results of the annual review and the fact that no breaches have been reported.

29 THE ADMISSION OF HARRISON CATERING TO THE LONDON BOROUGH OF HAVERING PENSION FUND

The report considered by members informed the LB Havering Pensions Committee of the proposed "closed agreement" admission of Harrison Catering services Ltd into the LB Havering Pension Fund. This is due to the TUPE of catering staff from Abbs Cross Academy to Harrison Catering Services Ltd to make provision of catering services to the academy.

The Pensions Committee:

- **Noted** the admission of Harrison Catering Services Ltd into the LB Havering Pension Fund as an admitted body to enable 4 members of staff who transferred from Abbs Cross Academy to continue membership of the LGPS subject to:
 - a) All parties signing up to an admission agreement and;
 - b) An indemnity of £69,000 by way of Harrison Catering Services Ltd securing a guarantee in an approved form from the Loxford School Trust – Abbs Cross Site to protect the pension fund.

Chairman