

Minutes



To: All Members of the Pensions Board

From: Legal, Democratic & Statutory Services
Ask for: Patrick Towey
Ext: 25148

PENSIONS BOARD 17 JUNE 2016

ATTENDANCE

MEMBERS OF THE BOARD

J Digby (vice-chairman), G Clay, D Devereux, K Harding, T Hone (substituting for D A Ashley), P Neville, W Ogley

STANDING SUBSTITUTE MEMBERS

Employer Representatives – J Anderton, M Green, J Hurley
Member Representatives - C Roberts

Upon consideration of the agenda for the Pension Board meeting 08 MARCH 2016 as circulated, copy annexed, conclusions were reached and are recorded below:

Note: No declarations of interest were made at this meeting.

PART I ('OPEN') BUSINESS

ACTION

1. MINUTES

1.1 The Minutes of the Pension Board meeting held on 8 March 2016 were confirmed as a correct record and signed by the Chairman.

2. PENSION FUND ASSET POOLING

2.1 The Board considered a report regarding LGPS Asset Pooling.

2.2 The Board were invited to comment on the process followed by the Pension Committee in reaching their decision to recommend ACCESS as the preferred pool. Members of the Board were advised that Officers and the Pension Committee Chair had been heavily involved in a number of meetings to progress the ACCESS pooling submission.

2.3 The Board were advised that the Pensions Committee had confirmed the Officer recommendation to progress with establishing a Collective Investment Vehicle (CIV) which is either built (e.g. London CIV) or rented through a host.

- 2.4 Following a question from a Member it was confirmed that there was competition in the market with regards to renting a host, there were three providers available; Capita, HSBC and Mercer. In general discussion it was confirmed that the possibility of establishing a temporary rental arrangement to ensure government requirements were met, would be investigated, which may serve as a suitable stepping stone towards ownership of a built model.
- 2.5 It was confirmed that ACCESS Officers were working with legal advisors to determine how the regulatory capital will be funded for the CIV; there was potential that the cost would need to be met by each of the participating eleven funds.
- 2.6 Members noted that a set of principles for infrastructure investment had been proposed by the pools who had been working together at a national level;
- 2.7 Ensure that any collaborative investment in this area is made in the financial interests of members of the Funds, with no undue outside influence either at local or national level;
- Leverage the combined buying power of the LGPS;
 - Share and expand the internal expertise currently available within individual pools to the benefit of all;
 - Accept that to be effective we should play to our strengths and look to build collaborative strategic partnerships with the wider infrastructure investment management industry; and
 - Make the asset class accessible to all Funds within each pool regardless of scale.
- 2.8 The Board requested a presentation on how risks would be managed and detail on what autonomy pooling authorities might have.
- 2.9 In response to a question from a Board Member officers confirmed that they would speak with ACCESS to request that information be shared with stakeholders.
- 2.10 In general discussion Board Members requested that Officers be mindful of any potential conflict of interest in relation to Pension Board and Committee Membership.

Recommendations

- 2.11 The Pensions Board reviewed and commented on the decision making process of the Pension Committee as outlined above.

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3. 2016 TRIENNIAL VALUATION

3.1 The Pensions Board considered a report about the arrangements for the 2016 Triennial Valuation exercise for the Hertfordshire Pension Fund.

3.2 The Board were advised that under the Local Government Pension Fund Regulations 2013 all pension funds in England and Wales were required every 3 years. Hymans Robertson would undertake a valuation in 2016, officers had worked with the actuary to determine a recommended set of assumptions that were proposed for the 2016 exercise.

3.3 The timetable of key events was highlighted to the board and it was confirmed that this had been communicated to scheme employers through the Pension Fund newsletter. The main purpose of the valuation was outlined as follows, to:

- Access the solvency of the Pension Fund as a whole and the level of solvency for each participating scheme employer;
- Access the effectiveness of the Funding Strategy both retrospectively and how this applies to future years;
- Comment on the main risks to the Pension Fund that may result in future volatility in the funding position or to scheme employers' contribution rates for a three year period. The 2016 triennial Valuation will determine scheme employers' contribution rates for the financial years 2017/18, 2018/19 and 2019/20;
- Provide certificates and statements as required by the Regulations.

3.4 Officers highlighted the proposed Actuarial Assumptions outlined in the report at Table 1. It was confirmed that a benchmarking exercise was underway by the Pension Regulator and DCLG to check that there isn't wide variation nationally between Pension Funds.

Recommendations

3.5 The Pension Board reviewed the Pension Fund's arrangements to meet its statutory obligations to carry out the Treinnial Valuation.

4. THE PENSIONS REGULATOR AND LGPS SCHEME ADVISORY BOARD BENCHMARKING

4.1 The Pensions Board considered a report which provided information about benchmarking exercises carried out by:

The Pensions Regulator (TPR) in their survey of governance and administration of public service schemes; and

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The LGPS Scheme Advisory Board (SAB) on the performance of LGPS funds in England and Wales.

4.2 The Board were advised that the Hertfordshire Pension Fund had scored well in the benchmarking exercises and provided with a summary of areas for development as follows:

- Formal policies for Pension Board members to help acquire and retain knowledge. This area has been addressed in the development and adoption of a training plan developed for Pension Board members;
- Publication of policies for Record-Keeping and for Reporting Breaches of the Law. This area is partially addressed where a draft policy for Reporting Breaches of the Law is provided as Appendix B to the report;
- Cashflow forecasting for the Pension Fund to determine when it will become a “mature” fund where benefits paid are greater than contributions received from scheme employers. This will be addressed as a post-Valuation action;
- Compliance with the statutory deadlines for issuing Annual Benefit Statements. This is being addressed within the Annual Benefit Statements project;
- Participation in benchmarking exercises to test value for money and improvement in the provision of information to scheme members and to provide quality assurance;
- Assessments of data quality to ensure data held is accurate and meets the Pensions Regulator’s quality. This will be assessed as part of the review and evaluation of the Guaranteed Minimum Pensions Project.

4.3 In response to concerns raised regarding the response rate, it was confirmed that 52% of the 101 LGPS fund had responded to the TPR survey, a high response rate for a voluntary survey.

4.4 The Board were advised that the Pensions Committee had noted the report and approved draft changes to the policy document which incorporated draft policy for reporting breached of the law to the Pensions Regulator.

4.5 **Recommendations**

The Pension Board noted the content of the report and the draft policy for Reporting Breaches of the Law to the Pensions Regulator.

The Pensions Board considered the actions to further improve governance management and performance of the Pension Fund in accordance with the statutory requirements.

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5. PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

- 5.1 The Board considered the quarterly report on governance and risk management of the Pension Fund which covered the period January to March 2016.
- 5.2 Members were advised that the annual external audit of the Pensions Fund was underway. This would test the effectiveness of internal controls process and review the Annual Report and Accounts. It was noted that the outcome of the Audit would be reported to the Pensions Committee in September 2016. The Board requested that the audit report also be circulated to the LGPS Pensions Board for information.
- 5.3 The Board requested that future iterations of 'Appendix B- Scheme Employer Risk Monitoring' be amended to include numbering for reference purposes.

Recommendations

- 5.4 The Board commented as detailed above and noted the report.

6. LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT

- 6.1 The Board were presented with the report provided by the LPFA which provided a quarterly update of the delivery of the Pension Fund administration service.
- 6.2 The Board noted that the total membership of the scheme had decreased by 261 members, pensioners had increased by 214 and deferred members had increased by 827.
- 6.3 Members were updated regarding the End of Year posting/ Annual Benefit Statements 31 August deadline (as per the Pensions Act 2013) for producing and issuing Annual benefit Statements for all members of the LGPS. In 2014/15 an action plan had been agreed with the Pensions Regulator and the project team had worked through the backlog, through its training and guidance to Scheme Employers further cases had been identified. The Board were pleased to note that the backlog was being effectively worked through and the team were confident that the 31 August 2016 deadline would be met.

7. DATES OF FUTURE MEETINGS

30 September 2016 at 10 am
6 December 2016 at 10 am
14 March 2017 at 10 am

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3 July 2017 at 10 am

EXCLUSION OF PRESS AND PUBLIC

Decision

The Panel agreed that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information about the financial and business affairs of the County Council, and disclosure may prejudice negotiations and disadvantage the public purse.

**1. PENSION FUND- FUNDING AND INVESTMENT REPORT
(FORMERLY PERFORMANCE REPORT AS AT 31 MARCH
2016)**

- 1.1 The Minute of this item of business is set out in the separate Part II Minutes.

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