

Minutes



To: All Members of the Pensions Board LGPS, Chief Executive, Chief Officers, All officers named for 'actions'

From: Legal, Democratic & Statutory Services
Ask for: Theresa Baker
Ext: 26545

PENSIONS BOARD LGPS 30 SEPTEMBER 2016

ATTENDANCE

MEMBERS OF THE BOARD

Employer Representatives: G Clay, D Graham, P Neville

Member Representatives: D Devereux, J Digby (Chairman), K Harding,

STANDING SUBSTITUTE MEMBERS

Employer Representatives: T Hone, J Hurley,

Member Representatives: C Roberts,

Note: For this meeting only the usual order of business was varied such that the chairman's announcements followed Items 1 & 2: the election of the chairman and vice chairman for 2016 – 2017.

Upon consideration of the agenda for the Pensions Board LGPS meeting on 30 September 2016 as circulated, copy annexed, conclusions were reached and are recorded below:

PART I ('OPEN') BUSINESS

ACTION

1. FORMAL APPOINTMENT OF CHAIRMAN

- 1.1 The Democratic Services Officer invited Board members to propose a nomination for the position of Chairman. J Digby was nominated by K Harding and seconded by D Devereux. There were no other nominations. J Digby was duly appointed as Chairman for the Pensions Board LGPS.

2 FORMAL APPOINTMENT OF VICE CHAIRMAN

- 2.1 The Chairman invited Board members to propose a nomination for the position of Vice Chairman. D Ashley was nominated by T Hone and seconded by D Graham. There were no other nominations. D

Ashley (in absentia) was appointed as Vice Chairman.

CHAIRMAN'S ANNOUNCEMENTS

- (i) T Hone substituted for D Ashley,
- (ii) C Roberts substituted for W Ogley,
- (iii) Apologies were received from D Ashley, M Green, J Anderson, A Bowen and W Ogley,
- (iv) William (Bill) Ogley had emailed to advise the Board that “as he has missed a number of meetings, he had decided that it would be in the best interests of the fund and its members for him to resign and to open the way for someone who was better able to fulfil the role.
In light of this he wished to convey his decision to the Board and thank them for the opportunity. He had enjoyed being part of the Committee and hoped it continued in good health.”
- (v) The chairman proposed that C Roberts substitute for W Ogley for the meeting, that he become a full member of the board, and that a replacement Member Representative Standing Substitute be recruited to the Board.
- (vi) The Board were advised that there would be a review of the operation of the board at the next meeting.
- (vii) The chairman advised the board that there would be a change to the agreed order of proceedings:
There would be break after PART I;
The Member Training Session by Mercers would then follow to accommodate instruction of members who had to leave early.
PART II would then follow.
- (viii) The Board agreed that items 4 & 5 be taken together; there were no objections.
- (ix) The chairman advised the board that the reports included a PENSION FUND ASSET POOLING – ACCESS UPDATE which had erroneously been left off the agenda and should have been listed as Item 10.
DATES OF FUTURE MEETINGS was therefore Item 11.

Note: No conflicts of interest were declared by any member of the Cabinet Panel in relation to the matters on which conclusions were reached at this meeting.

3. MINUTES PART 1

The Minutes PART1 of the Pensions Board LGPS meeting held on 17 June 2016 were confirmed as a correct record and signed by the Chairman.

4. AUDIT RESULTS REPORT 2015/16 PENSIONS FUND

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Report of Ernst & Young.

- 4.1 The Board considered the Hertfordshire County Council Pension Fund Annual Results Report 2015/2016 of the external auditors.
- 4.2 Officers advised the Board that EY was very satisfied with the quality of the Pension Fund audit and arrangements and expected to issue an unqualified opinion of the Pensions Fund's financial statement; also to conclude that the Pension Fund's annual report was consistent with the financial statements. The Board welcomed the results and the auditor's comment within the report that it had been a clean and very positive audit.
- 4.3 Members heard that the key risks discussed within the report were standard for consideration in terms of the pensions fund's audit, rather than being specific to Hertfordshire County Council.
- 4.4 There were no unadjusted audit differences, however, during the audit, management had identified that due to a timing error the property pooled investment assets had been undervalued by £8.7 million and this adjustment had resulted in an increase in the Fund's net assets to arrive at a total of £3.584 billion.
- 4.5 The Pensions Committee and Audit Committee had supported the Letter of Representation i.e. the letter confirming that the Council had fulfilled the Pension Fund related issues.
- 4.6 The Board were pleased to that hear that early completion of the work reflected well on Hertfordshire which was consequently well placed for early closure in 2017/18.

Conclusion:

- 4.7 The Board noted the Audit Results Report of the Pensions Fund's 2015/16 Statement of Accounts.

5. RESPONSE TO THE AUDIT RESULTS REPORT 2015/16 – PENSION FUND

[Officer Contact: Patrick Towey, Head of Specialist Accounting
(Tel: 01992 555148)]

- 5.1 The Board considered a report which provided a recommended response to the Audit Results Report 2015/16 – Pensions Fund, including the Draft Letter of Representation.
- 5.2 Officers were pleased to report that there were no recommendations and that the auditors provided an unqualified opinion of the accounts. Members noted that management had identified a small number of disclosure errors during the audit which

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were subsequently amended, and that the auditor did not consider these significant.

- 5.3 The chairman noted that the resolution for 4.1 to the report should state that the Committee 'noted' the response rather than 'approved' it.
- 5.4 The Board were advised that public sector auditors had been engaged following the demise of the audit commission and that work was underway with the LGA on what the arrangements should be post 2017/18; until that time Ernst & Young would remain the auditors.

Conclusion:

- 5.5 The Board noted the response to the Audit Results Report 2015/16 Pensions Fund

6. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2015/16

[Officer Contact Kate Iles, Senior Accountant
(Telephone: 01992 555385)]

- 6.1 The Board received the audited Pensions Fund Annual Report and Statement of Accounts for 2015/16. Officers clarified that the report summarised the main features and directed members to Appendix A for the detail of the report and statement of accounts.
- 6.2 Members were advised that the Pension Fund Statement of Accounts 2015/16 had already gone before the Pensions Committee and the Audit Committee, and that this was being provided to Pensions Board LGPS for information and background on the fund.
- 6.3 The Board heard that the assets held by the fund had increased by £3.2 million to £3,584.2 million over the year. The -0.2% overall investment return was in line with the 2015/16 benchmark of -0.1%, and that for the year to end 31 March 2016 the number of members in the Pension Fund had increased by 4,539 to 95,995 ; the officer then outlined the main detail of movements in the fund as outlined in the report.
- 6.4 In response to discussion of the value for money aspect of the investment management fees for the year of £13.5m and a suggestion to reduce the fee for negative fund delivery, N Sykes from Mercers explained that although there were large variations in market returns year to year, fund managers struggled to make high returns if market returns in general are low.

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6.5 In discussion of the type of information shown in the report, officers noted:

- That the Audit Committee and the Pensions Committee had been pleased with the report, a previous report to Pensions Committee comparison had shown a good return from fund managers in comparison to their management costs over a 5 year period. Officers agreed to take on board for future reference reporting of the 5 year fund performance against the bench mark, also earlier circulation of this information to the Board;
- That as the fund was cash positive it did not need to stress income generation, and that this was important only when schemes started to become more mature;
- The request to report figures in £million rather than percentages to give a better understanding of the split assets;
- The comment that the £3m profit made by the fund was good in comparison to many larger funds which were down, and that that this should be expressed in the report.

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Conclusion:

6.6 The Board noted the report and commented as above on the audited Report and Accounts for 2015/16.

7. MEMBER TRAINING UPDATE 2016-18

[Officer Contact: Jolyon Adam, Finance Manager
(Telephone: 01992 555078)]

7.1 The Board received a report to update them on the proposed training plan to fulfil the requirements set out in the Pensions Act 2004 (amended by the Public Service Pensions Act 2013).

7.2 Officers clarified that the report built on the Pension Fund Business plan, summarised the main legislative requirements, also the knowledge and understanding expected of members of the Pension Board LGPS by the legislation. The CIPFA Technical Framework for Local Pensions Boards Knowledge and Skills would form the basis of the training plan.

7.3 Members heard that officers had been working with the fund actuary Hymans Robertson on a proposed training plan. This proposed a series of sessions over a two year period, covering both the eight main modules identified by CIPFA, and the requirements of the Pensions Regulator Code of Practice 14; Pensions Committee members would also be invited to the sessions. Officers commented that other providers could be used in the future.

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7.4 In response to the chairman's comment that the members of the Fire Pension Board had undertaken to complete the online Pension Regulators course (each module being 30 – 45 minutes), the members of the LGPS Pensions Board agreed to also undertake this online training.

7.5 To address the issue of members' absences from Board meetings (i.e. apologies) officers agreed to keep a matrix of member attendance (including substitutes) at meetings and concomitant completion of associated training sessions, also completion of the online training modules.

J. Adam

Conclusion:

7.6 The Pension Board RESOLVED :

- To note the requirements for knowledge and understanding,
- To note the comments as above upon the proposed training plan put forward to meet these,
- To commit to undertake this training (dedicated sessions);
- To commit to undertake the Pension Regulator's online training.

8. PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

[Officer Contact: Jolyon Adam, Finance Manager
(Telephone: 01992 555078)]

8.1 The Board received a quarterly report on governance and risk management of of the Pension Fund covering the period April – June 2016.

In relation to the Risk Register:

8.2 Members noted that ACCESS investment pooling developments would be addressed in a separate report at the end of the meeting.

8.3 In relation to the risk of deterioration to the funding level of the Pension Fund, Officers reported that the 2016 Triennial Valuation, including the consultation on the Parish and Town Councils pooling arrangements and agreement of actuarial assumptions policy consultation, as at 31 March 2016 was being finalised. The associated August extension for the one Parish and One Town Council that had not replied had also passed and the administering authority would take a decision on how to treat this outstanding case before the next update.

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- 8.4 Members heard that the action plan with the LPFA, working with scheme employers, to ensure that Annual Benefit Statements were issued in accordance with statutory deadlines had been 100% successful and the project management approach to this was likely to be repeated in 2017.
- 8.5 Replying to a question, officers confirmed that in terms of the annual external audit of the Pension Fund's Annual Report and Accounts, no decision had yet been made as to appointment of auditors but it was likely that the national procurement arrangements would be considered; the outcomes of the Triennial Valuation of the Fund would be reported to the 18 November 2016 Pensions Committee so sight of it would be possible prior to the next meeting of the Pensions Board.
- 8.6 The Board noted that the External Audit of the Accounts had been completed.
- 8.7 Members were advised that the award for the contract for legal services using the LGPS National Framework to Squires Patton Boggs had now been signed.

In relation to Employer Risk Monitoring (monthly):

- 8.8 The Board were referred to Appendix B for detail of the monitoring scheme. Members heard that of the 66 employers in the red risk category at 30 June 2016, a review had been undertaken of the age profile of the 33 outstanding admissions agreements (relative to the start of each service contract) whose admission agreements were in progress following the TUPE transfer of staff from existing scheme employers. It was now possible to address these historic cases using the specialist legal services of Squires Paton Boggs.
- 8.9 In terms of outstanding admission agreements, the practice whereby reporting dates of schemes were only recognised at the point that membership details were agreed with the new scheme (even if this was after the transfer date), had led to an increased number of employers in the 'Red' category. New employers would therefore now be monitored from the start date of the relevant service contract whether or not the Administering Authority had received their member details.
- 8.10 To concern that 13 of the 33 red risk schemes were over one year old, officers clarified that these cases were being targeted by Squires Paton Boggs to overcome any increased risk. Members requested an update on the outstanding admission agreements in the next Pension Fund Governance and Risk management report.
- 8.11 To the suggestion that a similar age breakdown would be useful for

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scheme employers in the amber category of the Employer Risk Monitor, officers commented that such employer schemes were generally small admissions from academies and thus small risk, however the risk increased the longer they were not dealt with.

- 8.12 During discussion of risk in relation to the size of a liability, officers clarified that when scheme employers entered the Pension Fund the assumption was that they were 100% funded, however the exact detail of their liabilities could not be confirmed until the next valuation.

In relation to the Administering Authority Report:

- 8.13 Officers directed members to Appendix C to the report and confirmed that, as requested at the last meeting, a SIAS (Shared Internal Audit Services) report now formed part of the Administering Authority Report.
- 8.14 In terms of complaints and internal disputes no internal dispute resolution procedures (IDRPs) or complaints were raised against the Administering Authority in the period.

In relation to Scheme Specific Employer Matters:

- 8.15 The Board noted that 7 Admission Agreements had been concluded in the quarter, in relation to the TUPE transfer of staff under service contracts for Pre School Learning Alliance and Hertsmere Leisure for multiple children centre contracts. In addition Elior and Carers in Hertfordshire had left the Pension fund.

In relation to the Pensions Committee:

- 8.16 There were no actions arising for the June 2016 meeting of the Pension Board which required a response from the Pensions Committee.

Conclusion:

- 8.17 The Pension Board noted the content of the report and commented as above.

**9. LONDON PENSIONS FUND AUTHORITY
LOCAL GOVERNMENT PENSION FUND ADMINISTRATION
REPORT**

Report of London Pensions Fund Authority (LPFA)

- 9.1 The Board received the Quarter 1 report for 2016/17 from Mike Allen and James Wilday of the LPFA to bring them up to date on delivery of the pensions fund administration services in terms of

statistics and key performance indicators; projects and key activities; also LGPS regulatory changes, including potential scheme changes.

Statistics and Key Performance Indicators

- 9.2 The Board were referred to the report for the details of the statistics and key performance indicators. Members noted that in the quarter the LPFA Pensions Administrator had completed processing of 14,871 pension cases and received one service complaint. There were no Administering Authority complaints. The LPFA had supported the Administering Authority with the one IDRPs, which related to a historical case as a result of data cleanse of the records using the data matching service, ATMOS; £500 compensation had been paid to the member. Penalties had been incurred for two instances of late payments of contributions by employers (out of approx. 1000 payments due); monitoring of such occurrences was ongoing and penalties applied where necessary.

Projects and Key Activities

- 9.3 Members were advised of the successful completion of the project to produce and dispatch the Annual Benefits Statements on time by 31 August 2016.

Tell Us Once / National Insurance Number Database

- 9.4 The Board noted that the County Council's LGPS now engaged in monthly sharing of National Insurance Number data with other LGPS pension funds in England, Wales and Scotland:
- to be aware of other such benefits payable where a member may have accrued benefits in more than one fund and thus comply with legal requirements of the LGPS's governing regulation on payment of maximum death benefit;
 - to enable HCC to benefit from the Department of Work and Pensions (DWP) 'Tell Us Once' scheme and thus become aware at an earlier stage of any LGPS member's death and thus reduce potential pension overpayments .

Employer Covenant:

- 9.5 Members heard that Risk identified from the September/October 2016 annual employer surveys would be added and reported to the Country Council Pensions team for further action, also that any risk identified would be added to the risk monitoring register.

GMP Reconciliation

- 9.6 The LPFA reported that the contracted out status of the County

Council's LGPS had ended in April 2016. To ensure that liabilities were recorded correctly (i.e. to find out what pension rights scheme members had and where) the project to reconcile the GMP data against that held by HMRC had begun. From January 2019 HMRC would no longer provide relevant information to Schemes, in addition statements would be issued to individuals based on the final position recorded at the end of 2018.

- 9.7 To a question on the time buffer between the project plan and deadline, Members were advised that issues were being dealt with case by case, the project was time limited to the end of 2018 and cases not cleared by then would lead to further issues.
- 9.8 The Board heard that the effect of the GMP project to date was a reduction to the overall pension payroll of £8,048.00 per annum, that the total overpayment so far had been £38,365.00 and, in response to related question that the annual contingent GMP liability was currently estimated at £806k and would need to be monitored.
- 9.9 James Wilday of LPFA was pleased to report that the project was quite far advanced and the main body of remaining work lay with orphan records, i.e. the 1,762 remaining member records on HMRC's output which were still not matched to the LPFA membership database, also that Hertfordshire were ahead of the other funds on this issue. In response to a question the Board heard that the tolerance between the Council Council's records and HMRC's was £2 for overpayment or underpayment corrections to pensions.
- 9.10 The Board praised the layout of the online scheme information and statement and queried whether the hard copy pension updates could be displayed in a similar way. In response they heard that there was a proposal to deliver statements as far as possible online in the future.
- 9.11 Officers clarified that although LPFA had now subcontracted the Local Pension Partnership (LPP) to undertake the administration as part of its restructure, the LPFA were still responsible for the contract, also that the same people in the same place were doing the work and this was undertaken with the agreement of the Administering Authority.
- 9.12 To positive feedback in relation to the Annual Benefit, officers agreed to bring back information on any proposed changes to the Pension Board in future years.

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LGPS Regulations and Scheme Changes

- 9.13 A member expressed concern for the impact that the, yet to be

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released, amended government actuarial department factors for late retirements would have for employees on more modest salaries.

- 9.14 Responding to a request for a rolling programme to review all communications with LGPS Pension Board members in order to look at changes to potential documents, officers clarified that a key outcome of the meeting was to review the communications strategy. A member also suggested that the communication issue could be addressed as part of a report. To a question from the chairman, all members of the Board present, excepting Kim Harding, confirmed that they received the monthly emails from the LPFA in regard of communications that went to employers. Officers agreed to consult with Kim Harding outside of the meeting.

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Conclusions:

- 9.15 The Board noted the contents of the report and commented as above.

10. PENSION FUND ASSET POOLING – ACCESS UPDATE

[Officer Contact: Jolyon Adam, Finance Manager
(Telephone: 01992 555078)]

- 10.1 The Pension Board received an update on the reports presented to the Pensions Committee at the 9 September 2016 meeting and the outcomes of any decisions taken at that meeting.
- 10.2 Members heard that the proposal for the pooling of assets by ACCESS had been submitted by 15 July 2016; also that the County Council would not commit to actions that would incur significant expense until they had received permission from the government.
- 10.3 The Board welcomed the decision of the September meeting of the Pensions Committee to endorse the ACCESS chairmen's' recommendation to rent an investment company (operator) from a third party, with the flexibility to move to an owned model if there was case for doing so in the future. To questions officers clarified that the interests of pensioners needed to be balanced against government requirements of investment in infrastructure funds; information on fund managers and asset pools had been shared through interim work with DCLG on the decision making process and governance; Pension Fund strategy would remain the accountability of the Administering Funds. Members welcomed the lower costs of a rental solution and the opportunity to build an operator at a later stage.

Conclusions:

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10.4 The Board noted the content of the report and commented on the decision process followed by the Pension Committee.

11. DATES OF FUTURE MEETINGS

11.1 6 December 2017 at 10 am
14 March 2017 at 10am
3 July 2017 at 10am

11.2 The Chairman moved to close the Part I agenda.

12. OTHER PART I BUSINESS

12.1 There was no other PART I business.

EXCLUSION OF PRESS AND PUBLIC

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/s of business on the grounds that it/they involve/s the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II ('CLOSED') AGENDA

1. MINUTES

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

2. PENSION FUND – FUNDING AND INVESTMENT REPORT (Formerly PERFORMANCE REPORT) AS AT 30 JUNE 2016

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

3. RECAP OF INVESTMENT STRATEGY

3.1 This was a training session by N Sykes of Mercer and hence was not minuted.

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

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