

HERTFORDSHIRE COUNTY COUNCIL

LGPS PENSION BOARD

14 MARCH 2017 AT 10:00AM

Agenda Item No:

3

ANNUAL REPORT OF THE PENSION BOARD 15/16 & 16/17

Report of the Director of Resources

Authors:

Jolyon Adam, Finance Manager Specialist Accounting (Tel: 01992 555078)

Vishal Raj, Accountancy Officer, Specialist Accounting (Tel: 01992 658104)

1. Purpose of the Report

1.1. To provide a summary on the activity of the Pension Board for the two years from 1 April 2015 to 31 March 2017. Future reports will be produced on an annual basis in line with the financial year (1 April to 31 March) and brought to the September Pension Board meeting.

2. Summary

2.1. The report aims to provide stakeholders with an opportunity to review the activity of, and changes within, the Pension Board over the previous two years of operation, as well as forward planning for key themes and pieces of work for the coming year. The report will cover the following areas:

- An outline of the Board structure and any changes to the constitution and membership during 15/16 and 16/17.
- General activity of the board including frequency, dates and content of meetings. A more detailed summary will cover key topics and regular items during the period.
- Forward plan for the upcoming year 2017/18, which will highlight the key topics and challenges that the Board are expecting to cover in the next financial year.
- Details of the training sessions delivered to date and the forward plan for future sessions.

3. Recommendations

3.1. The Pensions Board is invited to comment on and note the content of this report.

4. Background

- 4.1. Local Pension Boards were required to have been established by all LGPS Funds by 1 April 2015 and, to support the establishment of these Boards, the Scheme Advisory Board (SAB) developed guidance on their operation.
- 4.2. The SAB guidance offers best practice examples of the reporting it would expect to be provided by Local Pension Boards, including recommending information which would form the basis of an Annual Report on the activity of the Board¹. This report has been prepared in line with that guidance.

5. Activity Report

- 5.1. In accordance with SAB guidance, the Hertfordshire LGPS Pension Board was established with an equal number of employer and member representatives. Eight Pension Board Members were appointed in April 2015 alongside six substitute members. The table below shows the movement in membership from April 2015 to March 2017.

Employer Representatives		
Apr-15	Mar-17	
D Ashley	D Ashley	Members
D Graham	D Graham	
G Clay	G Clay	
A Cameron	P Neville	
T Hone	T Hone	Substitutes
J Hurley	J Hurley	
P Neville	J Anderton	
S Moore	M Green	

Member Representatives		
Apr-15	Mar-17	
D Devereux	D Devereux	Members
J Digby	J Digby	
K Harding	K Harding	
W Ogle	C Roberts	
A Bowen	A Bowen	Substitutes
C Roberts	TBC	

- 5.2. D Ashley was elected Chairman of the Board in September 2015 and at the end of his term was succeeded by J Digby who was elected Chairman of the Board in September 2016. These transitions were carried out in accordance with the Pension Board Constitution, whereby the term of office for a Chairman

¹ <http://www.lgpsregs.org/index.php/guides/adv-board-guidance>; Section 8.6, Local Pension Board Guidance.

is one year and the position should alternate between Employer and Member representatives.

- 5.3. Board meetings are scheduled quarterly however within the first financial year (2015/16) there was an additional meeting for training purposes. Meetings contain a mixture of specific themes and regular reports which are outlined in sections 5.4 and 5.5 below respectively. The full summary of topics covered at each meeting during 2015 /16 – 2016/17 is attached at Appendix A.
- 5.4. Key topics and priorities which have been discussed and reviewed by the board include:
 - 5.4.1. Asset Pooling: Following the announcement of national LGPS Pension Pooling by the government in summer 2015, the Pension Board has played a key role in overseeing and appraising the decision making processes adopted by the Pension Committee in respect of implementing this directive. The Pension Board has received updates and briefings on key papers presented to the Pension Committee on this topic, including scrutiny of key decisions such as choice of pooling partner, the governance model of the pool and the form of the operational vehicle that should be adopted by the pool.
 - 5.4.2. Annual Report & Accounts: The Pension Board was presented with the 2014/15 and 2015/16 Annual Report and Accounts (in September 2015 and 2016 respectively), in order to review both the financial position of the Pension Fund and any findings identified during the external audit of the fund.
 - 5.4.3. Training Plan: A training plan was initially produced in November 2015 and revised in September 2016 to incorporate and cover all areas of the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended syllabus. This training plan is currently being followed and both training which has already delivered and the forward plan for future meetings is outlined in Section 6 below.
- 5.5. There are a number of recurring reports which are prepared quarterly to support the Pension Board in monitoring ongoing performance:
 - 5.5.1. Risk & Governance Paper: Quarterly report which provides members of the Board with detailed information regarding the governance and risk management of the pension fund. The report provides a breakdown of all employers and their current risk status in the fund based on the activity during the quarter. The report also provides a high level view of the overall risk strategy of the fund and the key performance elements that the fund have identified as being crucial to its success and stability.
 - 5.5.2. Local Pensions Partnership (LPP) Administration Report: The LPP are the outsourced provider of the Pension Fund's administration service, and provide a quarterly update on the performance of this service, as well as technical developments, updates and regulatory changes which

affect the LGPS. Pension Board have scrutinised the updates from LPP in order to highlight areas where performance has not met Key Performance Indicators (KPI's) and challenged officers and LPP in order to put actions in place to remedy these. The Board also use these items to discuss future changes to the LGPS which have been identified, and the best way to implement and communicate these to members.

5.5.3. Funding & Investment Report: Pension Board receive a quarterly update and summary reports from Mercer (the investment consultant) and Hymans Robertson (the actuary) on the performance of the fund's investments, and the overall funding position respectively. These reports support the Pension Board with maintaining a high level view of the position of the fund, in order to monitor performance against objectives.

6. Forward Plan 2017/18

6.1. Key themes which are expected to be discussed at Pension Board meetings during 17/18 include:

6.1.1. ACCESS Pooling – this is a significant and ongoing project, with a target implementation date (for assets to begin transferring to the pooled operator) of April 2018, therefore it will continue to feature as a key item for discussion throughout 17/18. The major objectives and milestones anticipated within the next 12 months include:

- Inter-Authority Agreement approved by Full Council
- pool governance arrangements established and embedded;
- procurement and appointment of operator and other third party suppliers (such as depository);
- asset sub-funds agreed within ACCESS group;
- transition plans agreed by all (pool) members; and
- reporting arrangements established.

6.1.2. Implementation of revised Investment Strategy – new investment regulations introduced by the Government require each LGPS administering authority to produce and publish a new investment strategy by 1 April 2017. The implementation of this revised strategy will then take place over 2017/18 and future years, and the Pension Board will play a role in both supporting Pension Committee with the implementation of this, as well as monitoring the overall outcomes of the new strategy.

6.1.3. Retendering of Pensions Administration Contract – the pensions administration service is one of the fund's key contracts, and the current contract with LPP will end on 31 March 2019 – unless extended (for a maximum of two additional years). Due to the size and critical nature of the contract, preparatory work would ordinarily commence on the recommissioning at least one year in advance. Given the Pension Board's role in scrutinising and monitoring the performance of external business partners, they will be consulted on the recommissioning of

this contract or the decision by Pension Committee to extend the existing contract.

6.2. LGPS Pension Board 17/18 Meeting Plan:

Provisional Date	Agenda Item
3 July 2017	PART 1
	Risk & Governance Report
	Appendix – Pensions Administration Internal Audit Report
	LPP Administration Report
	Constitutional Review
	ACCESS Update
20 September 2017	PART 2
	Funding & Investment Report
20 September 2017	PART 1
	Risk & Governance Report
	LPP Administration Report
	External Audit Annual Results Report (ARR)
	Response to ARR
	16/17 Annual Report & Statement of Accounts
	ACCESS Update
14 December 2017	PART 2
	Funding & Investment Report
14 December 2017	PART 1
	Risk & Governance Report
	LPP Administration Report
	Investment Manager Voting Review
	ACCESS Update
	PART 2
Funding & Investment Report	
20 March 2018	PART 1
	Risk & Governance Report
	LPP Administration Report
	ACCESS Update
	PART 2
Funding & Investment Report	

7. Training Plan

7.1. The training plan presented to the Pension Board in September 2016 has been designed to cover the 8 key modules recommended by CiPFA to meet the requirements of the Pensions Act 2004, and the Pensions Regulator Code of Practice 14. A number of the proposed training sessions have occurred within the rolling two year programme – as detailed below:

Date	Session	Module(s) to be Covered	Facilitator
30 September 2016 (occurred)	Pension Board Meeting	(6) Investment Performance & Risk Management (7) Financial Markets and Product Knowledge	Mercers (Investment Consultant)
6 December 2016 (occurred)	Pension Board Meeting	(8) Actuarial Methods, Standards & Practices	Provisional: Hymans Robertson
TBC June 2017	Dedicated Session (with Pensions Committee)	(1) Pensions Legislation (2) Pensions Governance	Provisional: Squire Patton Boggs (External Legal Consultant)
20 September 2017	Pensions Board Meeting	(4) Pensions Accounting & Auditing Standards (n/a) The Pensions Regulator Code of Practice #14	TBC
TBC November 2017	Dedicated Session (with Pensions Committee)	(3) Pensions Administration (5) Pensions Service Procurement & Relationship Management	TBC

Appendix A: Topics Addressed at Pension Board meetings April 2015 – March 2017

2015/16

- June 2015 (First Meeting)
 - Training session on Local Pension Boards provided by Hymans Robertson (scheme actuary)
 - Background of Local Pension Boards
 - Role and responsibilities of Board Members

- September 2015
 - Pension Fund Report & Accounts
 - Audit Results Report
 - Risk & Governance Report
 - LPFA Administration Report
 - Pooled Investment Vehicles
 - Funding & Investment Report

- November 2015
 - Pension Fund Business Plan and Training strategy
 - Risk & Governance Report
 - Review of Pension Fund Policies
 - LPFA Administration Report
 - Funding & Investment Report

- February 2016
 - LGPS Investment Reform
 - Risk & Governance Report
 - Governance Compliance Statement
 - LPFA Administration Report
 - Funding & Investment Report

- March 2016
 - Asset Pooling Update

2016/17

- June 2016
 - Asset Pooling Update
 - Triennial Valuation Update
 - Risk & Governance Report
 - Pensions Regulator & Scheme Advisory Board Benchmarking
 - LPFA Administration Report

- Funding & Investment Report
- September 2016
 - Pension Fund Report & Accounts
 - Audit Results Report
 - Member Training Plan Update
 - Access Update
 - Risk & Governance Report
 - LPP Administration Report
 - Funding & Investment Report
- December 2016
 - Asset Pooling Update
 - Annual Reports Scoping Update
 - 2016 Valuation Initial Results
 - Risk & Governance Paper
 - Asset Pooling Update
 - LPP Administration Report
 - Funding & Investment Report
- March 2017
 - Annual Report on of the Pension Board
 - Review of the Operation of the Pension Board
 - Risk & Governance Paper
 - LPP Performance Report
 - Funding & Investment Report