

HERTFORDSHIRE COUNTY COUNCIL

LGPS PENSION BOARD

TUESDAY 14 MARCH 2017 AT 10:00AM

Agenda Item No:

4

REVIEW OF THE OPERATION OF THE PENSION BOARD – ONE YEAR ON

Report of the Chairman of the Pension Board

Authors:

Jill Digby (Chairman)

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

1 Purpose of the Report

- 1.1 The purpose of this report is to provide a review to the Pension Board and Pensions Committee of the effectiveness of the Pension Board after its first year of operation.
- 1.2 The report will aim to cover progress to date against core objectives, as well as potential future opportunities for the Board in effectively meeting its responsibilities. It will also draw on the findings and experiences of other LGPS Pension Boards nationally, in order to contrast their experiences against those of Hertfordshire, and seek to identify best practice.

2 Background

- 2.1 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 the operation of these boards for Administering Authorities.
- 2.2 The County Council established the Pension Board on 1 April 2015 in accordance with Section 5 of the Public Service Pensions Act 2013¹. In accordance with Sections 5(1) and (2) of the Act and section 106 of the Local Government Pension Scheme regulations 2013, the role of the Board is to:

Secure compliance with:

- The Local Government Pensions Scheme regulations;
- Other legislation relating to the governance and administration of the Local Government Pension Scheme; and
- The requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme;

and to

¹ <http://www.legislation.gov.uk/ukpga/2013/25/section/5>

- Ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

2.3 The full responsibilities of the Pension Board are shown in an extract from the Pension Fund's Governance Compliance Statement² at Appendix A.

2.4 The Board has 8 full members, 4 representing employers and 4 representing fund members (active, deferred and retired) with 4 employer substitutes and 2 member substitute positions, one of which is currently vacant due to the resignation of a member representative.

2.5 Employer representatives are appointed by the relevant employer group:

- Administering Authority;
- District and Borough Councils;
- Small employers;
- Schools and Academies.

2.6 Members hold their positions for a 4 year term, however this was to be reviewed after the first year of operation. The terms of the constitution are currently ambiguous as they are not clear if members' terms of office align to Board cycles, or from date of appointment. It is proposed that this is resolved in a formal review of the constitution of the Pension Board, to be conducted at the July meeting.

2.7 The initial appointment of fund member representatives was carried out by the Administering Authority, but the Board has requested that this process is reviewed for future appointments. It is proposed that this is also addressed at the formal review of the constitution, timetabled for July 2017.

3 Progress to Date

3.1 Table 1 (below) assesses the current performance and activities of the Pension Board against its core objectives as outlined in the Governance Compliance Statement (Appendix A), and suggests potential areas for development.

TABLE 1: Pension Board Responsibilities

Pension Board Responsibility	Progress/Activity to date	Areas for Development
Scrutinising the progress of actions to meet the performance objectives of the Pension Fund	Quarterly review of Pension Fund investment report to monitor performance against targets and Investment Strategy, feeding any concerns back to Pensions Committee.	None.
Reviewing and monitoring the	Pension Board has a comprehensive	Pension Board needs to

2

<http://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/624/Committee/48/Default.aspx>

training plan of the Pension Board and elected members and officers with delegated responsibilities for the management and administration of the Pension Fund	training plan in place which will ensure compliance with the Pensions Regulator's Code of Practice. All Board members are committed to completing the on-line training course provided by the Pension Regulator.	decide how it reviews and monitors the training plans for members of the Pensions Committee and officers with delegated responsibilities for the Pension Fund.
Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant	Quarterly review of LPFA administration report showing performance against KPIs, challenging in particular the processing of key areas, such as deferred benefit cases, and recommending a course of action to encourage employers to provide timely information on membership changes; review of the valuation process by the Actuary.	Pension Board needs to decide how to review and monitor the performance of the Custodian and the Investment Consultant.
Reviewing and monitoring the Risk Register and risk monitoring of scheme employers	Quarterly Risk & Governance reports are presented to board to provide in-depth updates on the key risks facing the pension fund. Pension Board actively scrutinises these reports and requests additional analysis, action plans or assurance where they consider it appropriate. Impact to date: <ul style="list-style-type: none"> the analysis of employer risk levels has been refined to make it clearer where key risks are; development of an action plan to address outstanding risk areas such as lack of admission agreements. 	None.
Reviewing the implementation of revised policies and procedures, including the Administering Authority discretions.	The Board have details of all the relevant policies and procedures and dates when these are due for review. The Board is consulted on and inputs into the review process.	An updated schedule of upcoming policy reviews should be built in to the Board's work plan each year. The Board should ensure it is made aware of current Administering Authority discretions and how these are being implemented.
Reviewing the compliance of projects commissioned by the Pensions Committee, including the Triennial Valuation of the Pension Fund.	The Board has received regular reports on the progress of the Triennial Valuation and will continue to do so to completion. The Board also receives and comments on reports on other projects commissioned by the Pensions Committee, such as the approach of the Hertfordshire Fund towards Government pooling.	A schedule of planned Pensions Committee projects, with estimated timelines, should be built into the Board's work plan each year.
Ensuring pension rules and regulations are being complied with, when officers are making decisions on	The Board receive details of any complaints against either the Administering Authority or the administration service, as an indication of	A review of the implementation of discretions is proposed to be included in the Board's

pension matters	potential areas for concern requiring more in depth investigation.	work plan for 2017/18 (see above).
Scrutinising data quality	Questions asked by the Board of both the Administering Authority and the administration service have led to improved data analysis in the quarterly performance reports received by the Board.	None.
Reviewing internal audit reports	The 2015/16 internal audit report was presented to the Board for information and comment.	Board to continue to be involved in the audit process, via updates in the Risk & Governance Report, as well as oversight of any appropriate final audit reports.
Assisting in the development of improved customer services	The Board review the administration service performance against KPIs on a quarterly basis and have asked for a plan to address the shortfall in processing deferred benefit cases.	Board to work with the Administering Authority to introduce further incentives for employers to provide timely information on changes to member data, which in turn should lead to improved services for these customers.
Reviewing compliance of Investment Managers with Investment Manager Agreements	Board receives a quarterly investment management report but to date no in depth compliance review has been carried out.	Plan for a comprehensive review of Investment Manager compliance in the Board's future work plan.
Reviewing progress of agreed actions to address findings from any review of Pension Fund activities.	The Pension Board retains oversight of any actions agreed at previous meetings by reviewing and following up on the minutes of these meetings to ensure that actions have been taken, or are carried forward.	Include an annual progress review into future annual reports.

4 Feedback from Other LGPS Pension Boards

- 4.1 CiPFA conducted a survey on the approaches Pension Boards were taking nationally to a number of core operational points.
- 4.2 The average number of meetings which Boards were holding during 15/16 was 3.0, meaning that whilst some Pension Boards (such as Hertfordshire) are holding quarterly meetings, others hold them less frequently, often biannually.
- 4.3 59 Pension Boards responded to the survey (2/3^{rds} of the total), with the responses compiled in Table 2 below.

4.4 Table 2: Summary Responses from 15/16 CiPFA Pension Boards Survey

More detailed information shown at Appendix B.

NB: Hertfordshire's response is shown within square brackets []

Question	Yes	No	Partly
Does the Board have an Independent Chair?	23	[36]	
Are meetings of LPB open to the public?	36	7	[14]
Were any Board meetings in 15/16 not Quorate?	2	[56]	
Have any Board members resigned or left already?	[22]	37	
Can Board Chair attend Committee/ Panel meetings as an observer?	[57]	1	
Do they?	47	[11]	
Can Committee/ Panel Chair attend LPB meetings as an observer?	[55]	3	
Do they?	17	[41]	

- 4.5 The survey shows that whilst Hertfordshire's Pension Board is largely in line with the wider group, it could consider whether benefits may be gained from greater interaction between the Pension Board and Committee, e.g. by the Chair of the Pension Board regularly observing Pensions Committee meetings.

5 Recommendations

- 5.1 The Pension Board is invited to comment on the report, and discuss any areas for change or development which they would see as beneficial to the operation of the Board.

Appendix A

Extract of the Terms of Reference from the Pensions Fund Governance Compliance Statement, detailing responsibilities of the Pensions Committee and Pension Board:

Terms of Reference

The functions relating to the management and governance of the Pension Fund have been delegated as follows.

The Pensions Committee is responsible for policy matters including:

- Setting and monitoring performance objectives for the Pension Fund
- Approval and review of the overall investment strategy of the Pension Fund
- Approval and review of asset allocation decisions
- Performance monitoring Investment Managers and investments
- Appointing (and, when necessary, dismissing) Investment Managers
- Appointing (and, when necessary, dismissing) Investment Consultants
- Appointing (and, when necessary, dismissing) the Pension Fund Actuary
- Appointing (and, when necessary, dismissing) the Pension Fund Custodian
- Setting and approving Administering Authority discretions for the Local Government Pension Scheme
- Approval of key policies and statements:
 - Statement of Investment Principles
 - Funding Strategy Statement
 - Governance Compliance Statement
 - Communications Strategy Statement
- Agreeing and monitoring actions to address findings from any review of Pension Fund activities

The Pension Board is responsible for:

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund
- Reviewing and monitoring the training plan of the Pension Board and elected members and officers with delegated responsibilities for the management and administration of the Pension Fund
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers
- Reviewing the implementation of revised policies and procedures, including the Administering Authority discretions
- Reviewing the compliance of projects commissioned by the Pensions Committee, including the Triennial Valuation of the Pension Fund
- Ensuring pension rules and regulations are being complied with when officers are making decisions on pension matters
- Scrutinising data quality
- Reviewing internal audit reports
- Assisting in the development of improved customer services

- Reviewing compliance of Investment Managers with Investment Management Agreements
- Reviewing progress of agreed actions to address findings from any review of the Pension Fund activities.

All other operational decisions in the administration and management of the Pension Fund including exercising the Administering Authority's Discretions are delegated to the County Council's Chief Finance Officer, the Director of Resources.

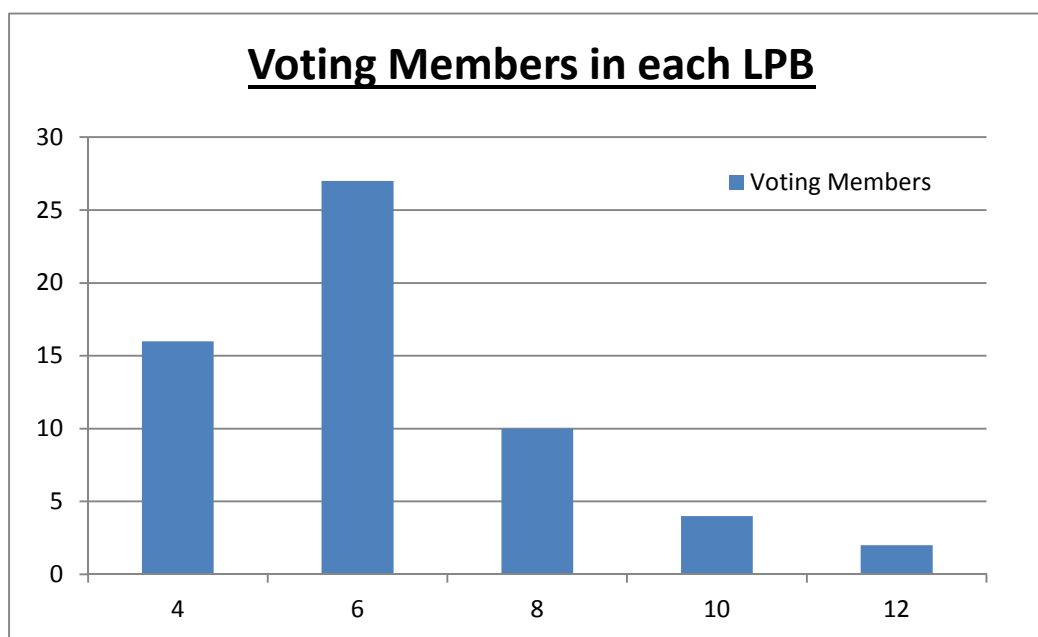
Appendix B CIPFA Survey

Summary Results from Local Pension Board Survey

Number of Responses	59
---------------------	-----------

Average number of Board Meetings held in 15/16?	3.0
Average number of Board Meetings planned for 16/17?	3.4

	Yes	No	Partly
Does the Board have an Independent Chair?	23	36	
Are meetings of LPB open to the public?	36	7	14
Were any Board meetings in 15/16 not Quorate?	2	56	
Have any Board members resigned or left already?	22	37	
How many?	26		
Can Board Chair attend Committee/ Panel meetings as an observer?	57	1	
Do they?	47	11	
Can Committee/ Panel Chair attend LPB meetings as an observer?	55	3	
Do they?	17	41	



Roles and Responsibilities

