

Agenda



AGENDA for a meeting of the LOCAL GOVERNMENT PENSION SCHEME PENSION BOARD to be held in the COMMITTEE ROOM B, County Hall, Hertford on MONDAY, 3 JULY 2017 AT 10.00AM

MEMBERS OF THE BOARD (8) - QUORUM (4)

Employer Representatives - D Ashley (Vice Chairman), G Clay, D Graham, P Neville
Member Representatives - D Devereux, J Digby (Chairman), K Harding, C Roberts

STANDING SUBSTITUTE MEMBERS

Employer Representatives - J Anderton, M Green, T Hone, J Hurley
Member Representatives - Vacant

Meetings of the Board are open to the public (this includes the press) and attendance is welcomed. However, there may be occasions when the public are excluded from the meeting for particular items of business. Any such items would be taken at the end of the public part of the meeting and listed under "Part Two ('closed') agenda".

Committee Room B is fitted with an audio system to assist those with hearing impairment. Anyone who wishes to use this should contact main (front) reception.

Members are reminded that all equalities implications and equalities impact assessments undertaken in relation to any matter on this agenda must be rigorously considered prior to any decision being reached on that matter.

Members are reminded that:

(1) if they consider that they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting they must declare that interest and must not participate in or vote on that matter unless a dispensation has been granted by the Standards Committee;

(2) if they consider that they have a Declarable Interest (as defined in paragraph 5.3 of the Code of Conduct for Members) in any matter to be considered at the meeting they must declare the existence and nature of that interest but they can speak and vote on the matter

AGENDA

1. MINUTES

To confirm the Part I minutes of the meeting held on 14 March 2017 (attached).

2. PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

Report of the Director of Resources

3. LGPS PENSION BOARD CONSTITUTION MEMBERSHIP APPOINTMENT REVIEW

Report of the Chairman of the Pension Board

4. PENSION FUND ASSET POOLING – ACCESS UPDATE

Report of the Director of Resources

5. LOCAL PENSIONS PARTNERSHIP LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT

Report of Director of Pensions (LPFA)

9. DATES OF FUTURE MEETINGS

The Board is invited to note the dates of future meetings, as follows:

20 September 2017

14 December 2017

20 March 2018

18 July 2018

EXCLUSION OF PRESS AND PUBLIC

The Chairman will move:-

“That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

PART II ('CLOSED') AGENDA

1. MINUTES

To confirm the Part II minutes of the meeting held on 14 March 2017 (attached).

2. PENSION FUND – FUNDING AND INVESTMENT REPORT (Formerly PERFORMANCE REPORT) AS AT 31 MARCH 2017

Report of the Director of Resources

If you require further information about this agenda please contact Theresa Baker, Democratic Services Officer, on telephone no (01992) 556545 or by e-mail to theresa.baker@hertfordshire.gov.uk

Agenda documents are also available on the internet at:
<https://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings.aspx>

For further information about the issues covered in these reports please contact Patrick Towey on 01992 555148.

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 14 MARCH 2017

ATTENDANCE

MEMBERS OF THE BOARD

Employer Representatives: D Ashley (Vice Chairman), G Clay, D Graham, P Neville
Member Representatives: D Devereux, J Digby (Chairman), K Harding, C Roberts

STANDING SUBSTITUTE MEMBERS

Employer Representatives: J Anderton, J Hurley,
Member Representatives:

Upon consideration of the agenda for the Pensions Board LGPS meeting on 14 March 2017 as circulated, copy annexed, conclusions were reached and are recorded below:

PART I ('OPEN') BUSINESS

ACTION

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.

1. MINUTES PART 1

In relation to the minutes of 6 December 2016 point 7.4, the chairman confirmed that K Harding, D Ashley and P Neville had begun the online training and encouraged the Board to complete it.

The Minutes of the Pensions Board LGPS meeting held on 6 December 2016 were confirmed as a correct record and signed by the Chairman.

2. PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

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

Board
Members

- | | | |
|-----|---|--------|
| 2.1 | The Board received the quarterly report on governance and risk management of the Pension Fund covering the period 1 October to 31 December 2016 which also encompassed the Administering Authority Report on Performance Indicators for the Administration Strategy; specific Scheme Employer matters; details of reports presented to the Pension Committee on 24 February 2017, including its response to feedback and comments from the Board. | |
| 2.2 | In relation to point 3.6 of the meeting of 6 December 2016 and Governance and Risk Management, Members were directed to Table 2: Analysis of Scheme Employers by Risk Category, where it was highlighted that Column 3: Risk Category / Risk Score reflected the level of amber risk (e.g. green-amber versus red-amber) and what was begin done to reduce the risks within the amber category. | |
| 2.3 | The Board heard that since the report had been published, the number of new scheme employers in the red risk category had decreased yet further to 22. | |
| 2.4 | Members drew attention to the net liability figures and number of the employers in the amber versus red risk category and suggested that it could be cost effective to chase those in the amber category. | |
| 2.5 | The Board welcomed the Outstanding Admission Agreement Action Plan (Appendix D to the report). Members heard that legal advice was also being sought from Squire Patton Boggs on penalties to incentivise scheme employers to seal their admission agreements within timeframe; these penalties would be presented to the Board for review and recommendation to the Pensions Committee. | J Adam |
| 2.6 | During discussion of the amount and type of detail in the report, its format and the likelihood of obscuring the main financial risks, Members heard that although the risk associated with outstanding admission agreements was small, their longstanding cumulative effect needed to be considered and, due to the hidden risk to employers, were consequently identified by presentation as an appendix. Officers agreed to include in the action plan the financial amounts associated with the outstanding admission agreements. | J Adam |
| 2.7 | In response to further questions on the red risk category officers agreed to provide further granularity about factors, other than outstanding admission agreements, which caused the risk rating. Members were advised that, excluding those in the 'over a year old' category for time period since transfer, the majority of risk arose from scheme employers without a bond and those ending as an employer body; specialist legal advice was being used to resolve | J Adam |

these impasses.

2.8 It was clarified that to address red category scheme employers where delay in admission was a consequence of delayed transfer of information, a process was being developed to communicate to the ceding employer the lack of information being received from the admitted employer and the risk that fell back to the ceding employer. This would be trialled for transfers within the County Council itself to emphasise to finance managers and service area managers the need for their help in pressuring admitted bodies for the information; if the trial was successful it would be progressed to non-County Council bodies.

2.9 In relation to Part 2: Administering Authority Report (Appendix C), M Allen clarified that the National Scheme Advisory Board were currently involved in comparing similar funds as a method of benchmarking, and officers agreed to examine the reports of other funds for comparison.

J Adam

Conclusion:

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

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

[Officer Contact: Jolyon Adam, Finance Manager, Specialist Accounting (Tel: 01992 555078), Vishal Raj, Accountancy Officer, Specialist Accounting (Tel: 01992 658104)]

3.1 The Board received the first summary report on the activity of the Pension Board, covering 1 April 2015 to 31 March 2017, and noted that future reports would be produced annually for the period 1 April to 31 March and presented to the September meeting. In light of this time frame the intervening period would be covered by a short report to the September 2017 meeting. The report covered the board structure, constitutional and membership changes; frequency, dates and content of the meetings; the forward plan for 2017/18; training sessions delivered and training forward plan.

J Adam
V Raj

3.2 It was highlighted that the Board's training plan worked on a 2 year cycle and that the next training session was likely to take place jointly with the Pensions Committee in June 2017.

J Adam

3.3 Subsequent to discussion officers agree to add to the forward plan the Audit report and also the retendering of the Administration contract.

J Adam

3.4 In discussion Members heard that as a significant and ongoing

project, ACCESS pooling was scheduled on every agenda of the Board for 2017-18. Further to this, in light of the fact that there was not a further meeting of the board before Pensions Committee on 31 March 2017, officers agreed to circulate the Revised Investment Strategy to the Board for their comments, to coincide with its publication for the Pensions Committee meeting of 31 March 2017.

P Towey
T A Baker

3.5 To concern about responsibility for cost control of running the pension scheme it was clarified that the annual costs were reported via the reports and accounts; Pensions Committee were the legally responsible body and delegated the day to day operation to the section 151 officer (the Director of Resources). Members heard that the 'Cost of Investment Management report' which went to Pensions Committee would also be brought before the Board; Value for money issues were considered in the investment strategy.

P Towey

3.6 During discussion of possible conflict of interest in the complaints procedure in relation to complaints against the County Council, Members were advised that there was an independent complaints process. If the complaint was not resolved in a one to one basis it was escalated as necessary through an Internal Dispute Resolution Procedure: first through the Assistant Director (Finance) for administering authority related complaints with the Chief Finance Officer as the hearing officer, then through the Chief Legal Officer and finally the Ombudsman. It was emphasised that the Board's task was to check the underlying structural issues that caused complaints as addressed in London Pensions Fund Authority (LPFA) administration reports.

3.7 In response to questions the Board were advised that the Pensions Committee received an annual report on the Investment Managers' voting behaviour. They heard that The Fund used a proxy voting service called ISS which provided direction to the investment managers on how they should vote at the AGMs and EGMs of the top 350 FTSE ranked UK companies. The report provided Pensions Committee with details of the voting activity during the year and any exceptions where managers had not followed ISS guidance. In certain cases, investment managers would seek prior approval from the Fund to vote against guidance and this would either be approved or not following discussion with the manager, investment consultant and officers. Where managers had not sought prior approval and voted against guidance, they were asked to explain their decision and ensure that controls were put in place to avoid this happening in the future. The Committee had questioned whether managers should receive full discretion to vote on all matters in the future and officers agreed to bring to a future meeting of Pensions Committee a report with options for consideration.

Conclusion:

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

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

[Officer Contact: Jill Digby (Chairman);
Jolyon Adam, Finance Manager Specialist Accounting
(Tel: 01992 555078)]

- 4.1 Members received a report which reviewed the effectiveness of the Pension Board after its first year of operation encompassing progress against core objectives, future opportunities for the Board to effectively meet its responsibilities and findings from other LGPS Pension Boards in relation to best practice.
- 4.2 The Board's role was noted (Members were directed to Appendix A to the report detailing its full responsibilities), its membership structure, the appointing bodies and the four year term of office.
- 4.3 It was noted that a report which reviewed the constitutional ambiguity relating to alignment of Member's terms of office to Board cycles or from date of appointment, together with appointment of fund member representatives by the Administering Authority would be brought to the July 2017 meeting of the Board.
- 4.4 Members were referred to Table 1 of the report for the detail of the eight areas of the Board's performance and activities against objectives that required development. This included the need to decide how the Board reviewed the training plans of the Pensions Committee and officers with delegated responsibilities for the Pension Fund, also a potential role in monitoring the actuary's investment consultant.
- 4.5 During discussion members heard that:
- The terms of reference of the Pensions Committee were determined by statute;
 - the obligation of the Pension Committee to report on its significant actions to the LGPS Pension Board was enshrined in the County Council's constitution and forward plan which was published online;
 - Pensions Committee had determined that the LGPS Pension Board had the capacity to scrutinise monitoring performance, particularly in relation to administration and risk, for referral back to Committee.

J Adam
P Towey

4.6	The Members welcomed the positive comparison of Hertfordshire's LGPS Pension Board to the operation of other LGPS Pension Boards in the CiPFA Pension Boards Survey.	Members, J Adam
4.7	The chairman requested that Board members forward their suggestions in relation to the operation of the Board and potential changes to the constitution to Jolyon Adam for consideration at the next meeting.	Board members
4.8	It was noted that communication between the administering body and members of the scheme was missing from the Customer Service table and officers agreed to put this on the forward plan.	
4.9	Following discussion of the CiPFA Pension Boards Survey and the need for LGPS Pension Board to pick up on any issues that were currently falling between the Pension Board and the Pensions Committee, officers confirmed that at the next meeting of the Board Members would be asked to agree that the LGPS Pension Board Chairman attended Pension Committee meetings in an ex officio, non-voting, observer capacity.	J Adam P Towey
4.10	In response to further discussion officers agreed to look at the practice of other Pension Boards in respect of remunerating the chairman for attending additional meetings.	J Adam P Towey
Conclusions:		
4.11	The Pension Board commented as above on the report, and discussed areas for change or development which they saw as beneficial to the operation of the Board.	
5.	FUNDING STRATEGY STATEMENT & CONSULTATION RESPONSE	
	[Officer Contact: Jolyon Adam, Finance Manager Specialist Accounting (Tel: 01992 555078)]	
5.1	The Board received a report on the results of the consultation undertaken on the 2016 Funding Strategy Statement (FSS) for the Hertfordshire Pension Fund, and the finalised version of the statement (after consultation with the Fund's employers) which was due for approval by the Pension Committee by 31 March 2017.	
5.2	Members were referred to Appendix A for the detail of the amended FSS, and to point 5.2 of the report for the update and amendment made following the calculation and distribution of valuation results to employers.	
5.3	The Board heard that the actuarial assumptions were bespoke only in respect of demographic / geographical location of pension fund	

members and, due to the complexity of working on third parties, did not extend to career / type of employment. The rise in employer contributions due to the increase in life expectancy was highlighted.

- 5.4 Members expressed concern about the LGPS fund's ability to absorb the costs of increased employer's contributions should admitted employers fail and officers confirmed that this would be raised as part of the communications strategy.
- 5.5 The Board heard that the low level of employer engagement with the consultation could be improved by simpler communications. This would address the fact that where scheme employers had only a limited number of staff working in pensions, it was likely that none of them would understand the technical information in the strategy.

Conclusion:

- 5.6 The Pension Board noted the updated Funding Strategy Statement.

6. GOVERNANCE: LGPS INVESTMENT POOLING INTER AUTHORITY AGREEMENT

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

- 6.1 The Board received a progress report on the work to establish the ACCESS Pension Pool and in particular the delegation of functions to a joint governance committee made up of member representatives from the eleven fund members of ACCESS.
- 6.2 Members noted the makeup of the Joint Governance Committee, its responsibilities, voting structure, procurement of outside legal assistance for the Inter Authority Agreement and selection of the initial host authority responsible for the secretariat function, also detail of cost sharing between member funds. The Board were referred to Appendix 1 for the draft constitution of the Joint Governance Committee and Appendix 2 for the specific functions delegated to it.
- 6.3 It was highlighted that whilst the costs of funds' investments would be shared according to the value of each fund's investments, the cost of participating in the pool and transition costs of moving assets to or with the pool would not. Some assets, e.g. private equity, property assets, passive management vehicles and life policies, would be held outside the pool.
- 6.4 The Board were advised that::
- the third party operator contract was for 5 years+1+1 as there was a general intention that there would be transition to

P Towey
J Adam

- owning rather than renting the operator in the future;
- Hertfordshire County Council was leading on the procurement of the legal advice; Kent were leading on the procurement of the operator;
- due to the costs of transition it was expected the break-even point should be approximately 4-5 years;
- It was estimated that the annual savings would ultimately be £40m to the ACCESS funds;
- as Pension Fund assets were managed separately for each of the participating authorities, there was no risk that they could be used to address deficits in participating authorities;
- to ensure Hertfordshire was always represented at meetings the chairman and vice chairman were both designated as representatives of the pool.

6.5 Members were advised that reports on incurred procurement costs would come to both Pension Committee and LGPS Pension Board, also that the POOL report would be on the Part 1 agenda.

P Towey

6.6 Given that all members of the Joint Governance Committee are County Councillors, elected at the same time every 4 years, the Board asked for consideration to be given to mitigating the risk that all JGC members could lose their seats at the same time.

Conclusions:

6.7 The Pension Board noted the content of the report.

7 LONDON PENSIONS FUND AUTHORITY LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT

[Contact: Mike Allen – Director of Pensions (LPFA)]

7.1 Members received the quarter 3 2016/17 update from the LPFA on the delivery of the pensions fund administration services in relation to statistics and key performance indicators, progress on projects and key activities and an update on regulatory changes including potential scheme changes.

7.2 LPFA performance to service level agreement was 72% during the period. There was on-time processing for all but deferred benefit (DB) cases (the latter resulting from the negative impact of untimely notification of scheme leavers by Scheme Employers).

7.3 Members welcomed the significant progress made by the LPFA in processing outstanding DB cases, as evidenced by their reduction from 2500 in June 2016 to 450, but were advised that due to the complexity of the remaining cases and staffing issues in the LPFA

team, May 2017 was a more realistic end date for clearance of the backlog. Officers requested for the LPFA to provide an action plan for clearance of the remaining DB cases and refer it to the Board.

M Allen

7.4 The Board heard that, to ensure employers informed affected pensioners that their Third Tier III Health pensions would cease after 3 years unless uplifted to the Second Tier, the LPFA would trial alerting employers to this responsibility 3 months earlier than previously.

T Mutter

7.5 In terms of Scheme Employer Indicators, Members heard that of the 8 'Employers Not Meeting Statutory Payment Deadlines' one was related to a death in service and the time required to train the new clerk.

7.6 Members heard that the LPFA had made an early start on the next stage of the Guaranteed Minimum Pension (GMP) reconciliation project i.e. reconciliation of records as far back as 1978 which did not agree between the County Council and HMRC and vice versa and noted that progress on payroll revisions, dependent pensions and orphan records. Officers requested that the LPFA provide future meetings with a table of matched records, those still to be resolved and progress made.

LPFA
P Towey
J Adam

7.7 Concern was expressed by the Board about the additional cost that could potentially be loaded onto the LGPS, in relation to the three options under consideration by the government for long term treatment of GMP's held in the public sector regarding indexation and equalisation.

Conclusions:

7.8 The Pension Board noted the content of the report.

8 INVESTMENT STRATEGY REVIEW

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

8.1 Members received a report which informed them of the work of the investment strategy working group (ISWG) in the review of the Fund's investment strategy.

8.2 The Board heard that under the new Local Government Pension Scheme (Management and Investment Funds) regulation 2016, the LGPS Fund was required to have a new investment strategy in place by 1 April 2017. In pursuance of this the ISWG had reviewed the current position of the fund in terms of risk, return objectives, progression of funding level since last review in 2010/11, suitability of the 65/35 growth/defensive strategy (see Appendix A Mercer

Investment Strategy Update) and considered the areas for the new strategy as per government guidance e.g. transition from carbon intensive to more environmentally friendly strategies in any companies within the LGPS pension portfolio.

- 8.3 Members heard that as the funding level had increased from 82% in 2013 to 91% in 2016, the investment strategy review should examine the possibility of reducing the current levels of investment risk to maintain the current funding level (e.g. by a move to defensive assets such as bonds and inflation linked assets). In addition the review should ensure a high probability that, over a 21 year time frame, the fund achieved the 100% funded objective with affordable future contribution rates. The Board were referred to the table of proposed strawmen portfolios in Appendix A which had been considered by the working group and noted that the consideration of these would be reflected in the final investment strategy. They were advised that an investment consultant would clarify how each decision had been arrived at and that any changes would be phased over several years.

- 8.4 Officers confirmed that the Board would have sight of the draft investment strategy when it was published and would also have opportunity to comment on it prior to its presentation at Pensions Committee on 31 March 2017.

P Towey

Conclusions:

- 8.5 The Board noted the content of the report.

9. DATES OF FUTURE MEETINGS

- 9.1 3 July 2017 at 10am

- 9.2 The Chairman moved to close the Part I agenda.

10. OTHER PART I BUSINESS

- 10.1 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 31 DECEMBER 2016

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

**CHAIRMAN'S
INITIALS**

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PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

Report of the Director of Resources

Author: Jolyon Adam, Finance Manager (Tel: 01992 555078);
Vishal Raj, Accountancy Officer (Tel: 01992 658104)

1. Purpose of the Report

- 1.1 To provide a quarterly report on governance and risk management of the Pension Fund covering the period 1 January to 31 March 2017.

2. Summary

- 2.1 This report is set out in four parts:

- Part 1 provides a report on governance and risk management of the Pension Fund;
- Part 2 provides the Administering Authority Report on Performance Indicators for the Administration Strategy;
- Part 3 reports on specific Scheme Employer matters; and
- Part 4 provides details of any reports that were presented to the previous meeting of the Pension Committee that are not on the Pension Board agenda. It also provides details of the Pension Committee's response to any feedback or comments from the Pension Board.

- 2.2 A separate quarterly report is provided by the London Pensions Fund Authority (LPFA) commenting on the performance of the contracted pension's administration service.

3. Recommendations

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

PART 1: GOVERNANCE AND RISK MANAGEMENT

4.1 Risk Register

The Risk Register sets out risk control mechanisms that aim to either avoid or reduce the probability and/or impact of any risk event in relation to the Pension Fund.

The quarterly Risk Register monitoring report provided in Appendix A to the report details any activity or event during the quarter that impacts on the risk areas. The risk areas and key events and activities are shaded grey on the report at Appendix A and are summarised below:

- ACCESS investment pooling developments
- Publication of a revised 2017 Investment Strategy Statement for the Fund
- 2016 Triennial Valuation completed, including publishing of Rates & Adjustments certificate for all employers by 31 March 2017
- Validation checks on membership data
- Risk based approach for setting funding targets and contribution strategies for the 2016 Valuation, being used on an ongoing basis in line with the 2017 Funding Strategy Statement
- Procurement exercise for specialist legal services under the LGPS National Framework for the ACCESS pool has now been finalised and awarded

4.2 Employer risk monitoring

A separate risk monitoring exercise is carried out on a monthly basis to measure the trend and current status of risk associated with scheme employers where their covenant may have a detrimental impact on the Pension Fund.

Further detail on the risk criteria being measured is provided in Appendix B to the report.

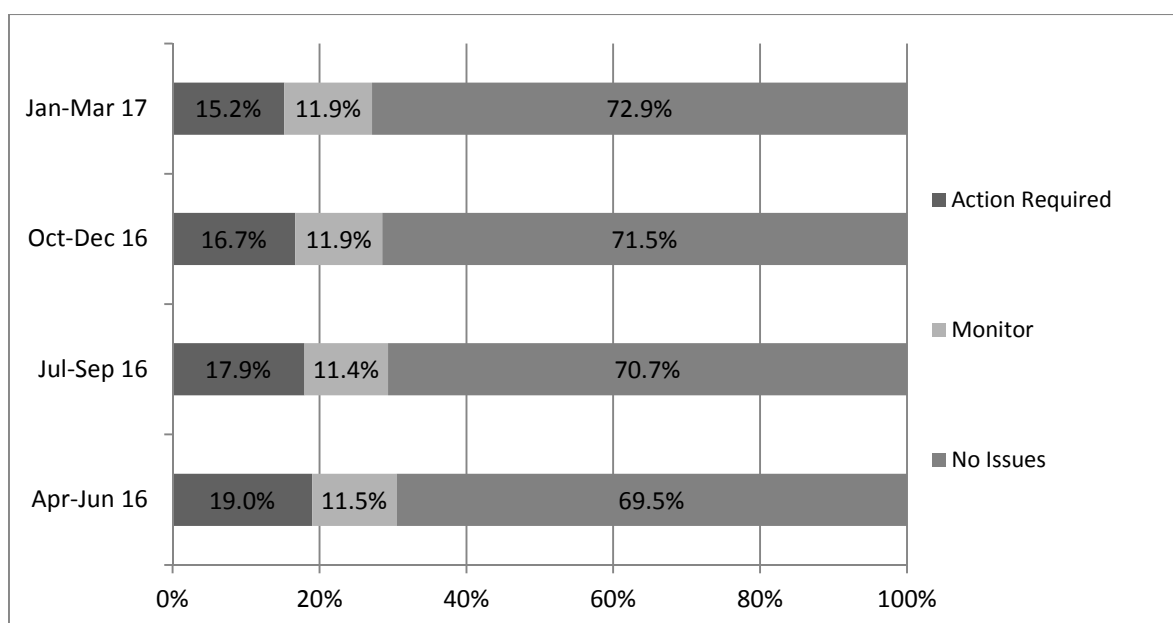
Current Status

Scheme employers are rated as:

- RED (Action Required) - high risk: This indicates that action is required to mitigate the risks to the Pension Fund where there is a high risk of a scheme employer defaulting on its obligations to the Pension Fund.
- AMBER (Monitor) - medium risk: This indicates that scheme employers require review or ongoing monitoring to determine whether any actions need to be taken to mitigate the risks identified.
- GREEN (No Issues) - low risk: This indicates that there are no immediate issues or actions to be taken.

Table 1 provides a summary of the current position, with comparative data for the previous quarters.

Table 1: Employer Risk Monitor – Current Trend and Status



At 31 March 2017, there was an increase of 7 scheme employers monitored from 354 at 31 December 2016 to 361 at 31 March 2017. This increase is due to the net change in employers seeking admission into, and leaving, the scheme.

Table 2 provides an analysis of the number of scheme employers in each risk category together with the value of net liabilities for each risk category. This analysis of the previous quarter was based on the results of the 2013 Valuation. This quarter's analysis has been completed using the updated 2016 Valuation results and as the overall scheme liabilities were significantly lower in 2016 compared to 2013, the net liabilities show a variance between quarters in line with the change in deficit over valuation periods.

Table 2: Analysis of Scheme Employers by Risk Category

October – December 2016					Risk Category / Risk Score	January – March 2017				
Scheme Employers		Net Liabilities		Risk Score ¹		Scheme Employers		Net Assets/ Liabilities		Risk Score ¹
No.	%	£ m	%			No.	%	£ m	%	
59	16.6	(14.5)	2.4	12.22	Red (9+)	55	15.2	4.8	-1.4	12.47
42	11.9	(87.1)	14.1	4.76	Amber (4-8)	43	11.9	(66.6)	19.8	4.79
253	71.5	(515.4)	83.5	0.66	Green (0-3)	263	72.9	(274.5)	81.6	0.65
354	100.0	617.0	100.0	3.09	Total	361	100.0	336.3	100.0	2.95

¹ Calculated as an average of the individual risk scores across all employers within the category, and in total.

Red Risk Category

Since the last quarter, the employers monitored in the red risk category have decreased from 59 as at 31 December 2016 to 55 as at 31 March 2017. The net movement comprised of:

- + 4 New scheme employers whose admission to the Pension Fund is in progress following the TUPE of staff from scheme employers.
 - 2 Scheme employers whose admission to the Pension Fund has been completed, as outlined in Part 3 of this report.
 - 1 Scheme employer where the admission agreement was no longer required because the employees did not transfer.
 - 1 Scheme employer where the contract was revoked and issued to another contractor
 - 4 Scheme employers where a guarantee agreement has been established with their ceding employer.
-
- 4

Net assets within the red risk category are £4.8m representing -1.4% of total net liabilities. As at the 2016 valuation the employers within the 'red' category had, in total, moved into a surplus position.

Of the 55 scheme employers in the red risk category at 31 March 2017, 26 related to new scheme employers whose admission agreements were in progress following the TUPE transfer of staff from existing scheme employers. The table below shows the age profile of these admission agreements relative to the start date of each service contract.

Time period since transfer	Q1 Apr-Jun 2016	Q2 Jul-Sep 2016	Q3 Oct - Dec 2016	Q4 Jan - Mar 2017
0-6 months	6	7	5	3
6-12 months	14	14	6	7
Over a year	13	10	14	16
Total	33	31	25	26

Outstanding Admission Agreement Action Plan

The Pensions Team is working closely with the County Council's Legal Services to reduce the current number of outstanding admission agreements, particularly those which have been outstanding for the longest period.

Ideally admissions agreements would be in place prior to the commencement of service contracts, however this is not often possible, as employee details (for transferring staff) can only be confirmed at the point the contract commences. This means that there will likely always be a number of admission agreements outstanding, however the time for clearing and processing new admissions is now targeted at around six months.

A targeted action plan has been developed, and attached at Appendix D to the report outlining the status, and actions being taken to resolve outstanding older admission agreements. In addition to this, a number of potential additional measures have been put to the Fund's legal advisor Squire Patton Boggs for comment, in regards to incentivising admitted bodies to complete and seal their admission agreements within reasonable timeframes. Following receipt of legal advice around feasibility, Pension Board will be presented with the options available to review and recommend to Pension Committee.

Amber Risk Category

These scheme employers have been identified as requiring review to determine whether any actions need to be taken to mitigate the risks identified. Over the quarter, the overall number of employers in this category increased by one to 43 as at 31 March 2017.

- 1	Scheme employer bond renewed to 31/03/2020
+ 2	Scheme employer who no longer has any active members where a cessation valuation may need to be undertaken.
<hr/>	
+1	

Net liabilities in the amber risk category are £66.9m representing 19.9% of total net liabilities.

Green Risk Category

The overall number of scheme employers in the green risk category has increased from 253 as at the 31 December 2016 to 263 as at 31 March 2017, reflecting the movement of scheme employers to the lower risk category as a result of admission agreements being completed, employers ceasing participation in the Fund and several employers having better funding levels as a result of the 2016 Triennial Valuation.

Net liabilities for the green risk category are £274.5m representing 81.6% of total net liabilities.

PART 2: ADMINISTERING AUTHORITY REPORT

5. Administering Authority Report on Administration Strategy Performance Indicators

5.1 The performance of the Administering Authority and scheme employers in managing and administering the Pension Fund is measured against performance indicators set out in the Administration Strategy.

5.2 Appendix C provides a summary of the performance indicators and performance against the following:

- the Administering Authority
- Scheme Employers; and
- The contracted pension administration service provided by the LPP.

Details of events and activities impacting on the performance indicators are also provided in Appendix C with commentary on progress to mitigate any issues.

PART 3: SPECIFIC SCHEME EMPLOYER MATTERS

6. Specific scheme employers

6.1 New employers

Three Admission Agreements have been concluded this quarter in relation to the TUPE transfer of staff under service contracts for the following scheme employers:

- Hertfordshire Police Constabulary outsourced the provision of sexual assault referral services to Mountain Healthcare Ltd
- Dacorum Borough Council continued to outsource the provision of shared managed services from Serco.

The Admission Agreements set out surety arrangements to secure the Pension Fund from any pension's liabilities that are not met by the contractor. In the event the surety is not sufficient to cover all liabilities then these fall back to the ceding employer according to LGPS regulations.

6.2 Terminating employers

During the quarter, no admitted bodies in the Fund ceased participation in the Fund and therefore no cessation valuations were completed by the actuary.

PART 4: PENSIONS COMMITTEE

- 7.1 There were no actions arising from the March 2017 meeting of the Pension Board which required a response from the Pensions Committee.

APPENDIX A RISK REGISTER

The Risk Register provides an update on the current risk score compared to the initial risk assessment carried out in April 2014. Risks were scored and then classified in accordance with the Council's Risk Management criteria set out in the following table.

Risk Level	Risk Score Range	Description
Severe	32 - 80	The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.
Significant	12 - 24	The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an action plan.
Material	5 - 10	Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.
Manageable	1 - 4	Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.

This report provides commentary about events that have occurred in the key risk areas with detail provided against the individual control mechanisms. The status column in the table below shows the movement in the overall risk rating in the quarter, according to the key below.

▲	An increase in risk score since last report
◀▶	Risk score has remained unchanged since last report
▼	A decrease in risk score since last report

Risk		Current Risk Rating				Target Score	Status	Quarterly Activity Summary
		2015 Q4	2016 Q1	2016 Q2	2016 Q3			
A	The Pension Fund Investment Strategy does not deliver the long term projected investments returns and does not comply with legislation.	16	16	16	16	16	◀▶	<p>The ACCESS proposal has been approved by Government and all 11 authorities involved have signed the inter authority agreement allowing the establishment of a joint governance committee.</p> <p>Officers will work with advisors to develop a transition plan and a separate paper will be presented in the June meeting of the Pensions Committee.</p> <p>The Investment Strategy Statement was approved by the Pensions Committee in March 2017 and has since been published on the website.</p>
B	The funding level of the Pension Fund deteriorates.	16	16	16	16	16	◀▶	<p>The Triennial Valuation was completed with the Actuary providing the Final Valuation report on the 31 March 2017. This document is available on the Pension Fund website.</p> <p>The results of the Triennial Valuation report show that the whole Fund funding level has increased from 84% as at 31 March 2013 to 91% as at 31 March 2016 with an overall reduction in the deficit from £617m to £336m.</p>
C	Scheme employers default on meeting their obligations to the Pension Fund and LGPS.	16	16	16	16	8	◀▶	<p>Validation checks on membership data have been carried out as part of the 2015/16 Annual Benefit Statement exercise and 2016 Valuation (see risk control C1).</p> <p>A risk based approach has been adopted for the 2016 valuation which has been reflected in the results schedules sent to employers. These risk categories have been used to set the funding targets for each scheme employer given a minimum level of probability (see risk control C4).</p>

								The Pensions Team have been working in conjunction with the LPP to develop a new set of Employer Surveys to ensure that information on employer bodies is kept up to date. The surveys are expected to be issued in Q1 2017/18 (See risk control C6).
D	The Pension Fund and its third party providers do not comply with regulations, statute or procedure.	4	4	4	4	4	◀▶	<p>Hertfordshire is acting as lead administering authority for the procurement of legal advice for the ACCESS pool. The tender was completed with Squires Patton Boggs being named as the successful contractor.</p> <p>The Internal Audit of Pensions Administration as outlined in the 2016/17 Shared Internal Audit Service (SIAS) Audit Plan took place during Q3, and a final report was issued in Q4 which gave substantial assurance over the controls in place, with two 'merits attention' recommendations. The final report is attached as Appendix E to this paper.</p>
TOTALS		52	52	52	52	44		

The following table provides a detailed list of the control mechanism and their status. Commentary is also provided about any risk events that have occurred in the last quarter and progress to implement those controls that are under development.

Risk Control Mechanisms		Control Status	Update
A. The Pension Fund Investment Strategy does not deliver the long term projected investments returns and does not comply with legislation			
A.1	Ensure the strategy complies with the Local Government Pension Scheme regulations, Statement of Investment Principles and Investment Management Agreements.	Implemented	An update on the Asset Pooling is provided in a separate report to the Pensions Committee and Board meetings. The Minister for Local Government approved the ACCESS proposal.
A.2	Diversify investment across asset classes and markets to reduce the impact of financial market volatility including setting a limit on the proportion of Fund's assets held in illiquid asset classes such as private equity and property.	Implemented	No issues to report

Risk Control Mechanisms		Control Status	Update
A.3	Monitor and provide a quarterly report to the Pensions Committee on Investment Manager's performance against benchmark.	Implemented	Performance reports are provided as a separate agenda item to quarterly Pensions Committee and Board meetings.
A.4	Monitor Investment Managers compliance with the investment restrictions and limits laid out in the Pension Fund's Statement of Investment Principles and Investment Management Agreements and report any cases of non-compliance	Implemented	No issues to report
A.5	Set the Investment Strategy in light of the risk and return objectives of the Pension Fund and review at regular intervals to ensure the Strategy is still appropriate.	Implemented	A new Investment Strategy has been approved by the Pensions Committee, effective from 1 April 2017 in line with the new requirements of the LGPS (Management and Investment of Funds) Regulations 2016. Officers will work with the investment consultant on transition plans to deliver this new strategy throughout 17/18.
B. The funding level of the Pension Fund deteriorates			
B.1	Set investment out-performance targets at the triennial valuation with reference to the Pension Fund's current investment strategy and on a relatively prudent basis to reduce the risk of under-performing against anticipated returns. At the same time, review and agree the other actuarial assumptions such as salary increases, discount rates, longevity etc.	Implemented	No issues to report
B.2	Provide the Pensions Committee with quarterly actuarial reports that monitor the funding position of the Pension Fund and the sensitivity of this to changes in general market conditions.	Implemented	No issues to report.
B.3	Undertake annual data validation checks to identify any discrepancies or errors in the data with our third party administrator.	Implemented	Data collection/validation is now underway for the 2017 Annual Benefit Statement (ABS) exercise, and a project plan is in place to ensure that 31 August deadline for statements to be issued is met.
B.4	Monitor and ensure scheme employers pay the extra capital/strain cost of non ill-health retirements following each individual decision and in the year the decision is	Implemented	No issues to report

Risk Control Mechanisms		Control Status	Update
	made.		
B.5	Monitor each scheme employer's ill-health experience on an ongoing basis against the "ill health budget" set for each scheme employer at the triennial valuation and require them to make additional contributions to the Fund where budgets are exceeded.	Implemented	Scheme employer's ill health experience has been reviewed as part of the 2016 Valuation and reflected in scheme employer's individual funding positions and employer contributions.
B.6	Monitor cash flows at a whole fund level and individual scheme employer level and certify cash deficit contributions for those with reducing payrolls as identified at the triennial valuation.	Implemented	No issues to report
B.7	At each triennial valuation, assign any liabilities relating to ceased transferee admission bodies to the original ceding scheme employer.	Implemented	The ceding scheme employers for any transferee admission bodies that have ceased since the last valuation have been identified as part of the 2016 Valuation. The liabilities of these ceased employers are pooled with the ceding employer for the purpose of setting employer contributions rates.
B.8	Monitor the 'characteristics' and individual funding position of pool members to ensure pooling is still appropriate. Require members of the Schools or Parish and Town Council pool to sign a pooling agreement which sets certain conditions and requirements for scheme employers' participation in the pool.	Implemented	Triennial Valuation results for both the Schools and Academies Pool and Town and Parish Council Pool were issued in December 2016. Scheme employers had minimal queries regarding the contribution rate proposed for the following three years from 1 April 2017.
B.9	Monitor the covenant of scheme employers and review their ability to meet ongoing liabilities.	Implemented	Employer Risk Monitoring framework implemented and quarterly reports provided to the Pensions Committee and Board. Risk based approach adopted for the 2016 Valuation with scheme employers categorised as low, medium or high risk. Ratings will be used to set the funding target for each scheme employer given a minimum level of probability.
B.10	Set deficit recovery plans after taking into account the particular characteristics of each type of scheme employer and the future working lifetime of its employees. Use shorter deficit recovery periods for organisations with a limited "life" in the Pension Fund or without statutory tax	Implemented	The maximum time horizons for recovering deficits have been reviewed as part of the 2016 Valuation and are set out in the 2017 Funding Strategy Statement

Risk Control Mechanisms		Control Status	Update
	raising powers.		
C. Scheme employers default on meeting their obligations to the Pension Fund and LGPS			
C.1	Develop further data quality controls with the Pension Fund's third party pension's administration service to monitor membership data submitted by scheme employers to ensure it is accurate and up to date.	Implemented	No issues to report.
C.2	Develop a risk evaluation approach to identify covenant risk, categorising scheme employers as low, medium or high. Establish a set of risk criteria and monitor scheme employers against this. Engage with scheme employers at an early stage to address funding issues.	Implemented	Employer Risk Monitoring framework implemented and quarterly reports provided to the Pensions Committee and Board.
C.3	Monitor contributions to ensure that scheme employers are paying the correct employer contribution rate.	Implemented	No issues to report
C.4	Do not allow unsupported employers to be admitted to the Pension Fund. Require all community admission bodies and transferee admission bodies to obtain a bond or guarantor from the Scheme employer. Revalue bonds every three years to ensure the risk cover is still appropriate.	Implemented	A risk based approach has been adopted for the 2016 Valuation with scheme employers categorised as low, medium or high risk. Ratings will be used to set the funding target for each scheme employer given a minimum level of probability. Unsupported scheme employers allocated a higher risk rating therefore giving rise to higher required contributions which are now in force for the new valuation period.
C.5	Carry out regular financial checks on participating employers, especially non-tax raising bodies.	Implemented	Employer Risk Monitoring framework implemented and quarterly reports provided to the Pensions Committee and Board.
C.6	Carry out an annual employer survey to identify any changes in funding stream for scheme employers.	Implemented	New surveys are being developed so they are tailored to the type of employer body.
C.7	Pool the contributions for scheme employers with similar characteristics to allow sharing of risk amongst scheme employers	Implemented	Implemented for the Schools Pool and Parish & Town Council Pool during the 2016 Valuation.
C.8	Carry out cessation valuations on a more prudent gilts basis to ensure the payment calculated when a scheme employer's liabilities are crystallised is sufficient to meet	Implemented	No issues to report

Risk Control Mechanisms		Control Status	Update
	the future payment of benefits made by the Pension Fund.		
D. The Pension Fund and its third party providers do not comply with regulations, statute or procedure			
D.1	Review the Custodians and Investment Managers internal control report to identify any concerns over controls and processes in place.	Implemented	No issues to report.
D.2	Ensure the Custodian undertakes monthly reconciliations with the Pension Fund's Investment Managers to ensure all assets are correctly accounted for and holdings agree.	Implemented	No issues to report
D.3	Allow only authorised personnel, as set out on the authorised signatory list, to authorise payments to and out of the Fund.	Implemented	No issues to report
D.4	Require all large scheme employers in the Pension Fund to provide an Annual Assurance Certification that payroll systems are compliant and have been tested by the scheme employers' internal auditors	Implemented	Received as part of the 16/17 financial year end process.
D.5	Engage internal and external audit reports to regularly test that appropriate controls are in place over the payment of benefits and expenses and collection of contributions and that they are working.	Implemented	The Internal Audit of Pensions Administration as outlined in the 2016/17 Shared Internal Audit Service (SIAS) Audit Plan took place during Q3, and a final report was received during Q4, which is attached as Appendix E to this report.
D.6	Work in conjunction with the Strategic Procurement Group to ensure all procurements are carried out in accordance with HCC contract and EU regulations.	Implemented	<p>A procurement exercise has been completed for legal services using the LGPS National Framework. The contract for legal services (general fund administration) using the LGPS National Framework has been awarded to Squires Patton Boggs and work has started to be commissioned through them.</p> <p>Hertfordshire is also acting as lead administering authority for the procurement of legal advice for the ACCESS pool. Tender documentation has been submitted in conjunction with Hymans Robertson and the Strategic Procurement Group to secure a resource for the pool which will support with the legal considerations involved with planning and procurement of the operator of the Collective</p>

Risk Control Mechanisms		Control Status	Update
			Investment Vehicle (CIV). The contract for this legal advice in relation to the set-up of the ACCESS pool has also been awarded to Squires Patton Boggs.
D.7	Review the Pension Fund SORP and Code of Practice in preparing the Statement of Accounts to ensure compliance and engage external audit to review the Pension Fund accounts each year.	Implemented	No issues to report
D.8	Manage performance of the Pension Fund's third party administration service through a service level agreement and monitor against Key Performance Indicators.	Implemented	LPP Performance provided as separate agenda item to quarterly Pensions Board meetings
D.9	Work closely with the Pension Fund's third party administration service to ensure it complies with current regulations and is alert to and can implement any changes to scheme benefits.	Implemented	No issues to report
D.10	Ensure the Pension Fund's third party administration service has a robust programme in place to test controls on the membership benefit system and that they are fully compliant and up to date.	Implemented	No issues to report

APPENDIX B SCHEME EMPLOYER RISK MONITORING

Table 3 provides details about all of the risk criteria being monitored and the total number of scheme employers that fall into each criteria. These risk criteria have been allocated a risk level of red or amber, depending on their potential impact and whether immediate action is required.

Scheme employers are assessed and allocated a score against each risk criteria. Their total score is then used to determine an overall classification of red (high risk), amber (medium risk) or green (low risk).

Scheme employers will therefore be classified as high risk either by falling into at least one of the red risk criteria outlined below, or by having three or more risk criteria at the amber level which overall raises concern over the scheme employer's ability to meet their obligations to the Pension Fund in the future.

Table 3: Summary of Risk Criteria Monitored

Risk Criteria	Risk Level	Description
No admission agreement in place	Red	<p>This relates to the admission of scheme employers to the Pension Fund where a legal process is carried out to agree and execute Admission Agreements. The Admission Agreement is a contract between the scheme employer, ceding scheme employer and Administering Authority; It defines the scheme employers' legal responsibilities and financial liabilities in the Pension Fund, the surety arrangements in place and the staff who are eligible to be in the Pension Fund.</p> <p>At 31 March 2017, 26 admission agreements were in progress.</p>
No bond or guarantor	Red	<p>At 31 March 2017, 27 admitted bodies were identified as having no form of indemnity. Of these, four related to scheme employers who are required to have a bond under the terms of their admission agreement but whose bonds have expired. The bond values for these scheme employers have been re-assessed by the Actuary and the bond agreements are in progress with legal services.</p> <p>24 of these related to long standing scheme employers who were not required to obtain a bond or guarantor when they were admitted to the Pension Fund many years ago. Under the LGPS regulations, the liabilities associated with these scheme employers would fall back to the Pension Fund if they were unable to meet their financial liabilities.</p>

Risk Criteria	Risk Level	Description
Deficit recovery	Red	<p>This relates to 11 scheme employers who have no active contributing members in the Scheme where work is in progress to agree lump sum payments in lieu of contributions or cessation repayment plans or scheme employers where repayment plans have been agreed but which are outside of the standard deficit recovery periods set out in the Pension Fund's Funding Strategy Statement. These plans have been negotiated with scheme employers in the interests of affordability but where there is an increased risk that the Pension Fund will not recover all outstanding liabilities from the scheme employer.</p>
Non-payment of contributions or lump sum deficit repayments	Red	<p>Scheme employers are monitored for non-payment of contributions and deficit lump sums. Where cases are identified, action will be taken in accordance with the Pension Fund's Administration Strategy and where significant reported to the Pensions Regulator in accordance with the Pensions Fund's policy on reporting breaches of the law.</p> <p>At 31 March 2017, there were no issues to report.</p>
Funding Level	Amber	<p>8 scheme employers had a funding level of less than 80% as at the 2016 Valuation with net pension liabilities of £9.5m. This is the funding level we have determined to be suitable to identify employers at risk in regards to their funding level as at the 2016 Triennial Valuation.</p> <p>A further 91 scheme employers had funding levels of less than 80% but who are considered to be long term secure employers and are required under the regulations to provide access to the LGPS for their employees, for example the County Council and Academies. These employers have been assessed as having a strong employer covenant and therefore their overall risk score has been adjusted to reflect this and consequently this group has moved to a green rating.</p>

Risk Criteria	Risk Level	Description
Contract or bond end Dates/No active members	Amber	<p>This relates to scheme employers who provide service contracts to scheduled bodies (normally Councils or Schools) where the service contract and/or bond is due to cease within nine months or scheme employers who no longer have any active members. Where necessary the Actuary will be instructed to undertake a cessation valuation or undertake a bond renewal to ensure appropriate indemnity arrangements are in place.</p> <p>At 31 March 2017, there was only one scheme employer that has been contacted to determine their future participation in the scheme.</p>
Payroll	Amber	<p>Monitoring of changes in payroll may identify scheme employers at risk of worsening their funding level or increasing their pension's liabilities.</p> <p>At 31 March 2017, 24 scheme employers were identified as having had a material change in payroll since the valuation date.</p> <p>Three of these scheme employers are under review to assess the impact that this may have on scheme employers funding levels and contribution strategies following the 2016 Valuation.</p> <p>The net liabilities of these three employers were £8.7m.</p>
Ill health liabilities	Amber	<p>At each valuation, scheme employers are allocated an annual ill health budget which is reflected in the contribution rate for that employer. Where the strain cost of scheme employers' ill health retirements exceed the budget, employers will be making insufficient contributions to cover the additional strain arising from these retirements.</p> <p>At March 2017, eight scheme employers had exceeded their cumulative ill health budget for financial years 2013/14, 2014/15 and 2015/16.</p> <p>Scheme employer's ill health experience over the inter-valuation period was reviewed as part of the 2016 Valuation and reflected in scheme employer's individual funding positions, employer contribution rate and strain costs for ill health retirements.</p>

APPENDIX C ADMINISTERING AUTHORITY REPORT ON ADMINISTRATION STRATEGY PERFORMANCE INDICATORS

1 Administering Authority Performance Indicators

The Administering Authority's performance is measured against compliance with statutory requirements placed on administering authorities for the administration of pension funds. This is measured by:

- Periodic internal audit reviews and the annual external audit carried out by Ernst and Young; and
- The number of complaints and internal disputes raised against the Administering Authority.

1.1 Audit Reviews

The Internal Audit of Pensions Administration was finalised in Q4 2016/17 and received substantial assurance, with only two 'merits attention' recommendations. The full report is attached as Appendix E to this report.

The draft 16/17 Annual Report and Accounts has been provided to the external auditor, with fieldwork scheduled for 20th June – 5th July. Currently the accounts closure process has been carried out in line with the new requirements for faster close (draft accounts need to be signed off by 31st May & audit completed by 31st July) which will come into force during 17/18.

The draft Annual Report & Accounts for 16/17 was available by 26th May, and the audit is expected to be completed in advance of the 31st July trial deadline.

1.2 Complaints and Internal Disputes

During the quarter there was one new Local Pensions Partnership service complaint, compared to two in the last quarter. Both complaints from the previous quarter were brought forward into this quarter.

A complaint was received due to the member receiving a delayed response to their queries. The matter has been dealt with and the member met with Herts LPP staff where it transpired that the initial queries had been sent to an incorrect email address. All queries sent to the correct email address have been answered within SLA.

A complaint was received from a member who had received personal information regarding another member of the Herts Pension Fund. This was reported to LPP's data protection team who have offered data protection services to the member involved for 6 months. LPP will be reviewing what data is included on letters, forms and calculations as part of a wider project in the near future.

The third complaint was regarding delayed retirement figures. A letter apologising to the member has been sent along with the requested information.

Independent Dispute Resolution Processes (IDRP):

During the quarter to 31 March 2017, one IDRP was raised against the Administering Authority with one brought forward from the previous quarter.

The brought forward IDRP was a stage 2 appeal regarding under-paid added years' contributions. The application had been partially upheld at stage 1, and £500 compensation awarded. As a result of the Stage 2 appeal, a further £500 compensation has been awarded to the member and paid.

The new IDRP related to incorrect advice being provided to a member by LPP in relation to re-employment earnings post retirement and abatement of pension. This IDRP was carried forward into Q1 17/18.

2 Scheme Employer Performance Indicators

Scheme employer performance is measured against compliance with performance targets for the administration of the LGPS which are set out in the Administration Strategy. This is measured by the number of:

- charges levied against scheme employers; and
- scheme employers who fail to make payment of contributions by the 19th day of each month.

2.1 Penalty Charges

There were 5 penalty charges raised for the period to 31 March 2017 against 2 scheme employers for late payment of contributions or late return of monthly contribution forms.

2.2 Late Payments

There were 10 incidents of late payment by scheme employers in the quarter to 31 March 2017. Details of these late payments are reported in the LPFA's quarterly Administration Report which is a separate item on this meeting's agenda.

3 LPFA Administration Service Performance Indicators

3.1 Performance of the LPFA's administration service is measured against compliance with performance targets set out in the Service Level Agreement for the service. This is monitored as part of the contract management arrangements and measured by two key indicators:

- the number of complaints raised against the LPFA; and
- the efficiency of the service against Service Level Agreement targets.

3.2 The LPFA's quarterly Administration Report provides detailed information about performance against service level targets and details of any complaints. The

Report is presented as a separate item on this meeting's agenda. Key issues that are impacting on the service are:

- Officers are working with the LPFA to address the backlog of Defined Benefit cases, and develop the action plan already in place to continue to reduce this backlog in light of the one-off increases arising from year-end processes.
- Recruitment is underway to replace leavers and a project plan is being maintained to clear the backlog of cases.

Appendix D Outstanding Admission Agreements Action Plan: As at 07.06.2017

APPENDIX D

Risk Category	Employer Number	Category	Reason for Delay	Summary of Current Position	Action Plan	Target Completion Date
1 Year +	503	Delay in admission body providing information	Delays in admission body providing staffing list	HCC Legal liaising with employer to progress admission agreement & bond	Administering Authority to escalate lack of response from admission body with senior management of outsourcing employer.	Sep-17
1 Year +	504	Delay in admission body providing information	Delays in admission body providing staffing list	HCC Legal liaising with employer to progress admission agreement & bond	Administering Authority to escalate lack of response from admission body with senior management of outsourcing employer.	Sep-17
1 Year +	506	Delay in admission body providing information	Delays in admission body providing staffing list	Data with Hymans to calculate employer contribution rate/bond amount	Hymans calculation delayed due to backlog following triennial valuation. Admission process will proceed when received.	Sep-17
1 Year +	508	Delay in admission body providing information	Delays in admission body providing staffing list	Data with Hymans to calculate employer contribution rate/bond amount	Hymans calculation delayed due to backlog following triennial valuation. Admission process will proceed when received.	Sep-17
1 Year +	534	Delay in admission body providing information	Delays in admission body providing staffing list	Data with Hymans to calculate employer contribution rate/bond amount	Hymans calculation delayed due to backlog following triennial valuation. Admission process will proceed when received.	Sep-17
6-12 Months	465	Delay in admission body providing information	Delays in admission body providing staffing list	Data with Hymans to calculate employer contribution rate/bond amount	Hymans calculation delayed due to backlog following triennial valuation. Admission process will proceed when received.	Sep-17

1 Year +	493	Delay in admission body securing indemnity/querying form of indemnity	Delays in admission body securing bond	Awaiting confirmation of bond secured by employer	Admission agreement expected to be completed shortly – currently with admission bodies solicitors for final review	Aug-17
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Risk Category	Employer Number	Category	Reason for Delay	Summary of Current Position	Action Plan	Target Completion Date
1 Year +	509	Delay in admission body securing indemnity/querying form of indemnity	Delays in admission body securing bond	Awaiting confirmation that bond has been secured by employer	HCC Legal to escalate lack of response from admission body with senior management of outsourcing employer (HCC).	Sep-17
6-12 Months	518	Delay in admission body securing indemnity/querying form of indemnity	Amendments to staffing list provided by admission body, followed by queries from admission body on clauses of bond agreement	HCC Legal liaising with employer to progress admission agreement & bond	HCC Legal to monitor progress and escalate if required – currently waiting for final sign off from admission body	Aug-17
6-12 Months	528	Delay in admission body securing indemnity/querying form of indemnity	Ceding employer and admission body to agree bond value	Indemnity arrangements being agreed between ceding employer and admission body	Await decision from admission body/ceding employer - Administering Authority to escalate risks to ceding employer of no current indemnity	Aug-17

1 Year +	420	Dispute over conditions of admission	Dispute over conditions of admission	Awaiting legal opinion	Case information being collated to be passed to Squires for legal opinion in order to confirm HCC position and provide legal position on dispute.	TBC
1 Year +	437	Dispute over conditions of admission	Employee(s) incorrectly admitted by the admission body under an existing agreement, but for a separate service contract. Also query around who should act as ceding employer	Indemnity arrangements being agreed between ceding employer and admission body	Bond calculation sent to employer and has been challenged.	Sep-17

Risk Category	Employer Number	Category	Reason for Delay	Summary of Current Position	Action Plan	Target Completion Date
1 Year +	472	Dispute over conditions of admission	Employee(s) incorrectly admitted by the admission body under an existing agreement, but for a separate service contract	Employees incorrectly coded originally and now admission agreement to be completed for correct separate service contract	HCC to progress admission agreement by contacting admission body and ceding employer	Sep-17
1 Year +	452	Dispute over conditions of admission	Legal query on parties to be covered by admission agreement	Admission agreement agreed with employer and awaiting signed copy	Expected to be completed shortly, final version with parties for signing.	Jun-17
1 Year +	521	Dispute over conditions of admission	Employee(s) incorrectly admitted by the admission body under an existing agreement, but for a separate service contract	Data with Hymans to calculate employer contribution rate/bond amount	Hymans calculation delayed due to backlog following triennial valuation. Admission process will proceed when received.	Sep-17
1 Year +	500	Dispute over conditions of admission	Ceding employer did not acknowledge service contract/maintained no awareness of it	All active members have left	AA to be drafted in order for contributions to be collected.	July-17
6-12 Months	522	Dispute over conditions of admission	Contribution rate was queried and required to be re-calculated by the Actuary	Employer has now agreed the contribution rate and happy to progress with admission agreement.	Details will be passed to HCC Legal in Jun-17 for the progression of Admission agreement	Aug-17
6-12 Months	527	Dispute over conditions of admission	Bond value higher than employer expected.	HCC have responded to all queries from the employer regarding the bond value and are awaiting a response.	Await response from employer and chase if necessary.	Sep-17

Risk Category	Employer Number	Category	Reason for Delay	Summary of Current Position	Action Plan	Target Completion Date
6-12 Months	532	Third Party Delays	Delays in the actuarial calculations due to a backlog following the 2016 Triennial Valuation	With HCC to calculate bond value before passing to Legal services to progress with Admission agreement	Details will be passed to HCC Legal in Jun-17 for the progression of Admission agreement	Aug=17
6-12 Months	536	Third Party Delays	Delays in the actuarial calculations due to a backlog following the 2016 Triennial Valuation	With HCC to calculate bond value before passing to Legal services to progress with Admission agreement	Details will be passed to HCC Legal in Jun-17 for the progression of Admission agreement	Aug=17

0-6 Months	533	N/A	N/A	With HCC to calculate bond value before passing to Legal services to progress with Admission agreement	Details will be passed to HCC Legal in Jun-17 for the progression of Admission agreement	Aug-17
0-6 Months	537	N/A	N/A	With HCC to calculate bond value before passing to Legal services to progress with Admission agreement	Details will be passed to HCC Legal in Jun-17 for the progression of Admission agreement	Aug-17
0-6 Months	535	N/A	N/A	Indemnity arrangements being agreed between ceding employer and admission body	Await decision from employer/ceding employer - Administering Authority to escalate risks to ceding employer of no current indemnity	Aug-17

Total: 23 Outstanding Agreements

Final Internal Audit Report

Hertfordshire County Council – Pensions Administration

February 2017

Issued to: Jolyon Adam – Finance Manager (Pensions,
Treasury and Client Team)
Patrick Towey – Head of Specialist
Accounting
Taryn Mutter – Pension Service Delivery
Manager (LPP)

Copied to: Claire Cook – Assistant Director of Finance

Report Status: Final

Reference: 16940/16/001

**Overall
Assurance:** Substantial

INDEX

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. Assurance by Risk Area	5
 Appendix A – Management Action Plan	 7
Appendix B - Definitions of Assurance and Recommendation Priorities	9

1. EXECUTIVE SUMMARY

Introduction

- 1.1 Internal Audit provides the Council with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan. This audit formed part of the approved 2016-17 Annual Audit Plan.
- 1.2 Since 1 April 2011 the administration of the HCC Local Government Pension Scheme ("the LGPS") and the Fire Service scheme ("Fire Scheme") has been administered by the Local Pensions Partnership "LPP", formerly London Pensions Fund Authority. The LPP acts as third party administrator for the schemes with the Council's Finance team retaining responsibility for the governance of the LGPS Scheme, the management of investments and the engagement with fund managers and the Council's HR team retaining responsibility for the governance of the Fire Scheme.
- 1.3 As at the end of the 2015/16 financial year, the LGPS Scheme had 95,995 members (comprising active contributing members, deferred members and pensioner members). The total value of the LGPS Scheme Fund shown in the Statement of Accounts at 31 March 2016 was over £3,584 million. The LPP also manage the Fire Service scheme, however, no funds are under management for the Fire Scheme.
- 1.4 The introduction of the Work Place Pensions Automatic enrolment requires the Council to enrol all employees aged 22 to state pension age and who earn more than £10,000 into a pension scheme unless the employee decides to opt out.
- 1.5 The objective of this audit was to provide management with assurance over the adequacy of the control environment for the processing of new joiners, leavers, transfers in/out, collection of contributions due and payment of pensions to those eligible.

Overall Audit Opinion

- 1.6 Based on the work performed during this audit, we can provide overall **Substantial Assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in section 2 below.
- 1.7 The overall audit opinion was formed from management assurances given in response to our enquiries and an examination of appropriate evidence relating to the administration, record keeping and payments within the pension scheme.
- 1.8 With respect of the administration for joiners, leavers, new pensioners and transfers in and out of the scheme, we found that all necessary records were in place and retained, required actions had been processed in a timely manner and all records and calculations were accurate, both from physical or online forms and through the Altair/SAP interface.

- 1.9 We have noted that contributions are received from Admitted Bodies on a monthly basis and records are retained by way of a database that is regularly reconciled to the records held in SAP.
- 1.10 Reconciliations are largely completed on a quarterly basis, with the exception of transfers in and out which is reconciled every six months. All reconciliations are completed by LPP and reviewed and approved by the accountancy team from HCC. In the case of the rate and adjustments (R&A) and payroll reconciliations it was noted that these can progress to the reconciliation sign-off stage, where any unexplained variances are considered insignificant. A materiality level has been agreed for such purposes for the R&A reconciliation, with the payroll reconciliation instead relying on officer judgement. Despite a tolerance level being set, LPP are still required to review and clear all variances in advance of year end.
- 1.11 From the sample of new pensioners tested, we found that in all cases the calculations were accurate and were subject to a second officer review for both the annual value of the pension, any commuted amounts and also the monthly payroll amounts prior to finalisation.
- 1.12 The pay run for pensioners was tested and we confirmed that exception reports are run and review for new pensioners, material payments and leavers within the period. Our testing confirmed that there has been sufficient separation of duties in the payroll process with two officers involved throughout. Prior to the BACS run being completed, checks are performed to confirm that the number and value of payments are as expected.
- 1.13 Finally, we have completed a review of the system access for Altair and following this access levels for four officers has been revised to improve the segregation of duties between the administration and payroll elements of the system. There are now only five user profiles with full system access, two of which belong to the external system developers, and the remaining three deemed as necessary for system administration purposes.
- 1.14 For definitions of our assurance levels, please see Appendix B.

Summary of Recommendations

- 1.15 We have made two recommendations, both classified as 'Merits Attention', to further strengthen the internal controls.
- 1.16 Please see Management Action Plan at Appendix A for further detail.

Annual Governance Statement

- 1.17 This report provides good levels of assurance to support the Annual Governance Statement.

2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	None	Limited	Moderate	Substantial	Full
System Checks for Scheme Joiners, Leavers, Change of Circumstance – appropriate controls are in place to ensure that starters, leavers and change of circumstances are processed in a timely and accurate manner.					
Pension Records and Contributions – Pension records adequately reflect a member's active service and contributions due from members (including admitted bodies and third parties) are received and accounted for in full.					
Pensions Payroll New Starters – appropriate controls are in place to ensure that new starters to the pensions payroll are appropriately authorised, eligible, benefits are correctly calculated and appropriate validation checks performed.					
System Interface Checks - interface file checks are in place between all key systems to ensure that data transferred is complete and accurate.					
Pension Payments Payroll Validation – appropriate validation and reconciliation routines are in place to confirm that the pension's payroll is accurate and complete, prior to submission for payment.					
Reconciliations – agreed reconciliations are carried out on a timely basis, with exceptions being investigated and resolved.					
Annual Benefit Statement – assess the progress in delivering the agreed actions within the improvement action plan submitted to the Pensions Regulator.					

Transfers in / out – requests for transfers in and out the scheme are administered on a timely and accurate basis. All payments are appropriately authorised and paid to the correct beneficiary and transfers in are received in full, correctly accounted for and members records are accurately updated.					
Systems Access - Access to key systems and modules are appropriately controlled and access to specific responsibility groups is aligned to an individual's role and business need. Access granted maintains an appropriate segregation of duties and is end-dated promptly when no longer required.					
Overall					

2.2 See definitions for the above assurance levels at Appendix B.

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p>Reconciliations – Payroll Unexplained Variances</p> <p>Discussions with the Senior Accountant revealed that a tolerance level has not been set for unexplained variances resulting from the payroll reconciliation completed quarterly.</p> <p>Where there is an unexplained variance within the payroll reconciliation the accountancy officers (HCC) will make a judgement if the variance is acceptable.</p> <p>This is different to the approach to the quarterly rates and adjustment reconciliation, where the Council have agreed a tolerance level above which reconciliations cannot be submitted for approval until the unexplained variance has been investigated and cleared.</p> <p><u>Associated Risk</u></p> <p>By using a subjective approach to the acceptability of variances, there may be an inconsistent approach to investigating the variances. This may</p>	Merits Attention	<p>We recommend that, in order to remove the subjectivity of acceptable variances, the Council agree a tolerance level to be applied against the payroll reconciliations.</p> <p>A tolerance level should be set with both a monetary value (e.g. £1,000) and a percentage of the total payroll for each Admitted Body (e.g. 1%).</p> <p>Whilst making this recommendation, the aim should always be to identify and rectify any variances discovered in a timely manner.</p>	<p>Management will look to implement an appropriate tolerance level for variances which require investigation prior to approval.</p> <p>Responsible Officer: Senior Accountant (Pensions), Finance Manager (Pensions, Treasury, Banking and Taxation Team) – whilst position is recruited to.</p>	31 May 2017

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	result in increased officer time, and increase the risk of fraud and error not being identified and subsequent financial loss to the Council.				
2.	<p>Joiner Forms and Input</p> <p>Based on the compliance testing performed, we have been able to conclude that data input for new joiners was accurate and complete.</p> <p>However, in terms of system design, there are currently no in-built system validation checks to prevent errors or omissions at the data input stage.</p> <p>We have noted there any errors or omissions in data input would be identified and rectify during the year end interface upload for all admitted bodies.</p> <p><u>Associated Opportunity</u></p> <p>Identification of errors and omissions in data may be identified and corrected earlier saving officer time at year end.</p>	Merits Attention	<p>We recommend that management examine the Altair functionality to determine whether mandatory fields could introduced for key data required for new joiners (e.g. National Insurance number, name, address, salary and contribution rates). This will improve the preventative controls in place to reduce the risk of errors at the data input stage.</p> <p>In addition to the above, sample management checks on data input could also be considered to identify other error types such as transposition errors.</p>	<p>LPP will be requested to raise the request for this change to the Altair system at the next 'Class Group', where it will be considered by the application's users, and - if agreed as an appropriate amendment – prioritised and added to a development list.</p> <p>Depending on the outcome of the proposal above, the second element of the recommendation will be considered, although LPP consider that their current approach of identifying and correcting any errors at year end is sufficient.</p> <p>Responsible Officer: Finance Manager (Pensions, Treasury, Banking and Taxation Team)</p>	31 March 2017

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.

**LGPS PENSION BOARD CONSTITUTION MEMBERSHIP APPOINTMENT
REVIEW**

Report of the Chairman of the Pension Board

Author: Patrick Towey, Head of Specialist Accounting (Tel: 01992 555148)

1 Purpose of the Report

- 1.1 The purpose of this report is to provide a review of the appointment process for members of the Pension Board to ensure that the appointment process preserves knowledge and experience which could be lost if all pension board members retired at the same time after their four year term.

2 Background

- 2.1 Local Pension Boards were required to have been established by all Local Government Pension Scheme (LGPS) Administering Authorities 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 Regulation 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 LGPS; and
- The requirements imposed by the Pension Regulator in relation to the LGPS;

and to

- Ensure the effective and efficient governance and administration of the LGPS.

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

- 2.3 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.
- 2.4 Members of the Board hold their positions for a 4 year term, the term of office of the current board members (BMs) will end on the 31 March 2019. Members of the Pension Board, at their meeting held on 14 March 2017, asked officers as part of the review of the Board's constitution to look at the appointment process of board members in order to ensure that business continuity was maintained and importantly that knowledge and experience would not be lost when BMs retired.
- 2.5 Officers have consulted with legal colleagues to review the appointment process and the proposal put forward in this report is to have a rotational membership of the Pension Board whereby the BMs are appointed for a four year term with half of them standing down every two years (a bit like the election of Councillors by thirds on some Councils)
- 2.6 To implement any changes to the Board's constitution, amendments put forward by the Board will need to be considered and agreed by the Pensions Committee who will then recommend them to full Council for approval.

3 Board Member appointment proposals.

- 3.1 The transition from the current arrangement to a new system that establishes membership rotation is complex but once established will be straight forward and workable. As referred to in 2.3, there are two categories of BM, Employer BMs (EBMs) and Member BMs (MBMs) and at all times the numbers in each category are equal. The Hertfordshire LGPS Pension Board has 4 EBMs and 4 MBMs.
- 3.2 In order for rotation to work it is suggested that the appointment process is changed to a situation where, from the appointment of new BMs from 1 April 2019, half the BMs in each category have terms expiring on 31 March 2021 and the other half terms expiring on 31 March 2023. Any BM appointed from 1 April 2021 or 1 April 2023 would be appointed for a full 4 year term. This would result in the desired rotation of membership.
- 3.3 The two scenarios set out below require different provisions to achieve the rotation. The scenarios apply to both EBMs and MBMs, but for illustrative purposes EBMs will be used. The positions will be identical for MBMs.
- 3.4 **Scenario 1: All existing EBMs are re-appointed after their terms end on 31 March 2019**
1. Two of the existing EBMs are re-appointed for a four year term to expire on 31 March 2023.
 2. The remaining two existing EBMs are re-appointed for a two year term expiring on 31 March 2021.

3. The two existing EBMs retiring in 2021 may be re-appointed, if there are insufficient suitable new prospective EBMs who apply and, if they are re-appointed, it would be for a four year term expiring on 31 March 2025

3.5 Scenario 2: Some, but not all existing EBMs are re-appointed after their terms end on 31 March 2019

1. Up to two existing EBMs may be re-appointed for a four year term expiring on 31 March 2023.
2. Of the remaining EBMs to be (re-) appointed (whether existing or new) two are appointed for a two year term expiring on 31 March 2021 and the remainder (if any) for a four year term expiring on 31 March 2023.
3. Any EBM (re-)appointed for a two year term and retiring in 2021 may be re-appointed and, if so, it would be for a four year term expiring on 31 March 2025.

- 3.6 This process would ensure that, from April 2021, the rotation is in operation. A procedure would need to be put in place to decide on who is appointed for a four year term and who is appointed for a two year term and how to deal with any casual vacancies. Legal colleagues will recommend such a procedure in the process of advising on the detailed amendments to the constitution after board members have agreed on the principle of rotation.

4 Recommendations

- 4.1 The Pensions Board is invited to comment on the report, and discuss the proposal for board membership rotation.

PENSION FUND ASSET POOLING – ACCESS UPDATE

Report of the Director of Resources

Author: Patrick Towey, Head of Specialist Accounting (Tel: 01992 555148)

1. Purpose of the Report

- 1.1 To provide the Pension Board with a review of the activities undertaken by the ACCESS group since the last update that was shared with this Committee in February 2017.

2. Summary

- 2.1 At its meeting on 7 March 2017, the Pension Committee recommended to Council that the Council agrees to set up a Joint Governance Committee (JGC) with the other ten member authorities of the ACCESS pool with effect from the date of completion of the Inter Authority Agreement (IAA) and to appoint one member of the Council to the Joint Governance Committee. Council approved this recommendation at its meeting of 21 March 2017. All eleven ACCESS member Councils have now agreed the IAA and the creation of the JGC.
- 2.2 The ACCESS group, in its July 2016 submission to Government, set out its intention to rent a Financial Conduct Authority (FCA) approved operator for the future management of the Fund assets of the ACCESS pool. The Government approved this submission on 22 March 2017. Each pool is expected to have its pool structure in operation by the 1 April 2018.
- 2.3 ACCESS will procure an operator thorough an open public tender procurement process, this work is being led by Kent County Council procurement team supported by officers from the other ACCESS Funds. Squire Patton Boggs has been appointed as legal advisor to the Pool following a procurement led by Hertfordshire officers. Hymans Robertson is acting as the project manager for the ACCESS group and has supported this project since their appointment in early 2016.
- 2.4 The ACCESS submission to Government in July 2016 set out an intention for a “quick win” from consolidating passive mandates. Consolidation of these mandates with one market provider will deliver savings from reduced fees as a result of the size of assets under management. A provider will be appointed from the National LGPS frameworks procurement vehicle for the ACCESS

pool. The Hertfordshire Fund currently has £1.37bn assets under passive management with Legal & General Investment Management.

3. Recommendations

- 3.1 That the Pensions Board notes the content of this report.

4. Background

- 4.1 In the summer 2015 budget the Chancellor announced the Government's intention to invite Administering Authorities to make proposals for pooling LGPS investments. The Department for Communities and Local Government (DCLG) published its criteria for pooling investments in November 2015 based on four elements:
1. Scale – Pools of assets with at least £25bn of assets;
 2. Strong Governance – authorities are charged with defining the mechanisms by which they can hold the pool to account;
 3. Reduced costs – including estimated savings over the next 15 years; and
 4. Improved capacity to invest in infrastructure through pooling.
- 4.2 The Hertfordshire LGPS is a member of the ACCESS pool which is made up of eleven Shire Counties from the East, South East, and South of England. In its July 2016 submission to Government, ACCESS set out its plan to pool investments through a Collective Investment Vehicle (CIV) that would be administered and maintained by a third party operator. The operator would be collectively managed by the pension funds through a joint governance committee established by the Authorities and made up of one member from each authority.
- 4.3 The role of the operator is to manage collectively the assets of the ACCESS pool. The operator does this by setting up a collective investment scheme (CIS) which is a regulated vehicle under the Financial Securities and Markets Act 2000 ("FSMA"). Establishing or operating a CIS is a regulated activity requiring authorisation from the Financial Conduct Authority ("FCA"). The participants in the scheme i.e. the ACCESS Funds will share the profits or income in the sub-funds in which they are invested in through the CIS. However, the ACCESS funds will not have day-to-day control over the management of the assets; this will be the responsibility of the Operator as this is a regulated activity.

5. Governance

- 5.1 The inter-authority agreement will establish the Joint Governance Committee; the JGC will be responsible for the following functions:
- Specifying the operator service to be procured;
 - Procuring the operator;

- Appointing the operator;
 - Reviewing the performance of the operator;
 - Managing the operator; and
 - Appointment of advisers.
- 5.2 The JGC will be “hosted” by one of the ACCESS local authorities and will undertake the secretariat function for the JGC. Kent County Council will be the initial host authority. The Chairmen of the ACCESS Pension Fund Committees have up to this point in time met on a shadow basis and will formally meet for the first time as an established body in July 2017, subject to the completion of the legal sealing of the IAA by all Funds. At this first meeting, a Chairman and Vice-Chairman will be appointed by the eleven ACCESS fund Chairmen.
- 5.3 In its shadow form the ACCESS Chairmen have met monthly supported by Fund officers, these meetings have been chaired by a Hertfordshire Officer, Patrick Towey. The Hertfordshire Pension Committee (PC) and Pension Board have been kept apprised of the ACCESS pool development and progress at its quarterly meetings.
- 5.3 The Pension Committee’s future role will be to agree and approve the investment strategy for the Fund. However, the PC will no longer be able to appoint Fund managers directly and in the future this role will be undertaken by the Operator who will appoint the managers in consultation with the JGC. The asset allocation requirements of each Fund will be implemented by the JGC who will instruct the Operator via a client function, made up of Fund officers, to set up sub funds to meet the Funds’ requirements. The Chairman of the Hertfordshire Pension Fund will sit on the JGC alongside the other ten Chairmen of the ACCESS Funds.

6. Procurement

- 6.1 Kent County Council’s procurement team are leading on the procurement of the Operator supported by a number of ACCESS officers and Hyman specialists. Squire Patton Boggs have been appointed to provide legal advice to ACCESS and are supporting officers in the drafting of tender and contract documents as well as providing advice on FCA regulations and procurement law.
- 6.2 To inform the procurement approach to be adopted, a concept viability day was held in April attended by ACCESS Fund Chairmen at which a number of operator providers also attended. The purpose of this meeting was to gain a better understanding of market coverage and experience and to inform certain gaps in the tender specification. Following this meeting the ACCESS Chairmen agreed that an open procurement process should be adopted, as opposed to a competitive dialogue which is only used for complex procurements where the requirement is not fully known.
- 6.3 The proposed procurement timetable is set out below:

Stage	Dates
Issue OJEU ¹ & ITT ²	10 July 2017
Tender response deadline	21 August 2017
Tender evaluation period	22 August - 22 September 2017
Governance	25 September - 13 October 2017
Notification of award, pre-award meeting & contract construct	16 October – 31 October 2017
Contract signature	1 November 2017

- 6.4 The contract term will be for five years with the option to extend for a further two years. The expectation is that the appointed Operator will be able to get an FCA Authorised Contractual Scheme (ACS) umbrella structure established by the 1 April although transition of assets to the pool may not occur immediately.
- 6.5 In order to (a) reduce transition costs on the initial transfer of assets from individual administering funds into the ACCESS ACS and (b) retain a number of existing investment managers, it is anticipated that some or all of the initial set of ACS sub-funds will use investment managers currently contracted to ACCESS administering authority Funds.

A detailed analysis of the areas of commonality between the existing investment managers and mandates will need to be undertaken. This will include an analysis of benchmarks for various asset classes and will inform for consideration by the JGC the initial set of ACS sub-funds. A sub-fund will be created for each asset class and could be single or multi-manger depending on the requirements of the ACCESS funds.

This analysis will be commissioned from a third party and will be undertaken alongside the Operator procurement so that on contract award the appointed Operator will have a framework structure of sub-funds to set up. For the purpose of submitting tender bids, tenderers will be asked to submit bids based on two model portfolios with an estimated range of between 25 to 35 sub-funds.

7. Passive Procurement

- 7.1 The ACCESS pooling proposal submitted to Government in July last year set out an intention for a “quick win” from consolidating passive mandates with one single asset manager. Passive mandates are held in the form of a Life Policy between the administering authority and the appointed external investment manager and can’t be pooled under an ACS structure. The total assets under passive management for ACCESS are £10.5bn

¹ OJEU – Official Journal of the European Union

² ITT – Invitation to tender

7.2 ACCESS, working through the National LGPS Frameworks procurement vehicle, has completed the construct of a multi-provider framework. Contracts were awarded to four passive providers in January 2017:

- Legal & General Investment Management Limited
- Deutsche Asset Management (UK) Limited
- BlackRock Investment Management (UK) Limited
- UBS Asset Management (UK) Limited

7.3 The passive framework documentation provides useful information such as ceiling fee prices from the four providers which can be applied against the pool's current arrangements. This information indicates:

- That all funds which currently hold passive mandates will make savings against any of the four providers on the framework; and
- The July ACCESS submission estimated a pool level savings target of £4m per annum and is a reasonable expectation of the outcome of a "mini" tender process.

7.4 ACCESS has now commenced a "mini" tender process within this framework. The procurement process is due to conclude in June/July and the intention is to appoint a single provider to the ACCESS pool. A recommendation will be put to the JGC for ratification at either its July or August meeting.

7.5 Once the outcome of the tender is known, an analysis will be undertaken by officers to compare current provider fee arrangements to the successful bidder and, if there are demonstrable savings and a clear value for money case, then a recommendation will be made to this Committee to appoint the manager awarded the ACCESS passive contract.

8. Financial Implications

8.1 The costs incurred by the Hertfordshire Fund up to the end of March 2017 were £103,897.44 for the ACCESS project; these costs include legal and project management fees but exclude officer time. The estimated implementation costs of establishing a CIV are estimated to be £160k for the Hertfordshire Fund.

8.2 Eventual savings for the ACCESS Pool are projected to be £30m annually. Allowing for investment growth of 3-5% per annum, by year 10 this will be ³equivalent to £40-50m.

References:

ACCESS July submission to Government
(<http://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/617/Committee/11/Default.aspx>)

³ ACCESS pool submission to Government dated 15th July 2016.

**LOCAL PENSIONS PARTNERSHIP
LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT**

Author: Taryn Mutter – Head of Client Delivery (LPP)

Agenda Item
No:

5

Purpose of the report

This report is provided by the Local Pensions Partnership (LPP) giving a quarterly update on the delivery of the pensions fund administration services in the following sections.

- Section 1: Statistics and key performance indicators
- Section 2: A progress report on projects and key activities
- Section 3: An update on LGPS regulatory changes, including the latest news on the potential scheme changes

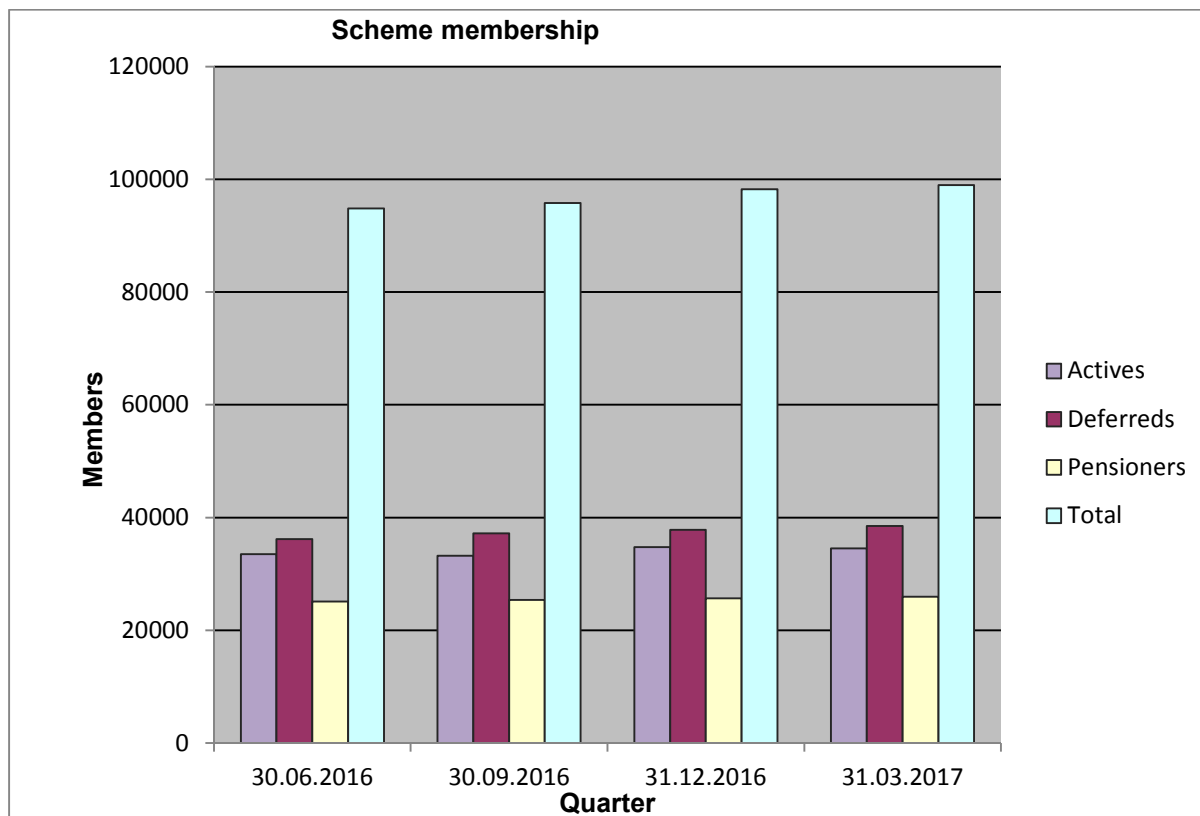
Recommendations

That the Board notes the contents of this report.

SECTION 1 STATISTICS AND KEY PERFORMANCE INDICATORS

1.1 Pensions Fund Statistics

Scheme Membership: The following graph provides an analysis of total membership to the Scheme which shows active membership has fallen by 215 members, pensioners have increased by 271 and deferred members have increased by 676 during Quarter 4 2016/17.



Scheme Employers: The total number of active scheme employers in the Pension Fund has increased by 1 during the last quarter. There are currently 265 active employers and a further 152 employers with deferred and pensioner liabilities.

1.2 Performance Indicators

Performance of the Pension Fund is measured in the following key areas:

- The LPP Pensions Administration Services is measured against key performance indicators (KPIs) that measure compliance, efficiency and effectiveness of the service, see Section 1.3. KPIs are a combination of quantitative and qualitative measures which track processing of cases against agreed timescales (e.g. joiners, leavers, transfers etc. processed within X days), and ongoing compliance with key policies and procedures – such as the Council's Financial Regulations, data protection requirements etc.
- Scheme Employers' performance is measured against requirements set out in the Administration Strategy, see Section 1.4; and
- The Pension Fund is measured against statutory requirements and the effectiveness of its management and governance of the Fund. Separate quarterly reports providing commentary on key governance and risk management issues are provided to the Pensions Committee summarising performance in the Risk and Performance Report with a detailed report provided to the Pension Board in the Governance and Risk Management Report

1.3 Performance for the LPP Pensions Administration Service

Service Level Agreement and Volumes: The following graphs provide a quarterly review of key areas and performance achieved. Performance overall during the period was over 83%. Excluding the processing of Deferred Benefits cases which is impacted by the increased volumes of cases discussed in section 1.1, the on-time processing is in excess of 99%.

The table below shows processing activity on deferred benefits over the past year and forecasts the year ahead. New cases added do not fall evenly therefore the profile of last year's cases received has been repeated as a best estimate. We have also worked on the expectation that 600 cases per month will be cleared from July.

The table shows that there is likely to be a spike in deferred benefits arising from year end processes. This is caused by employers not submitting leaver data throughout the year.

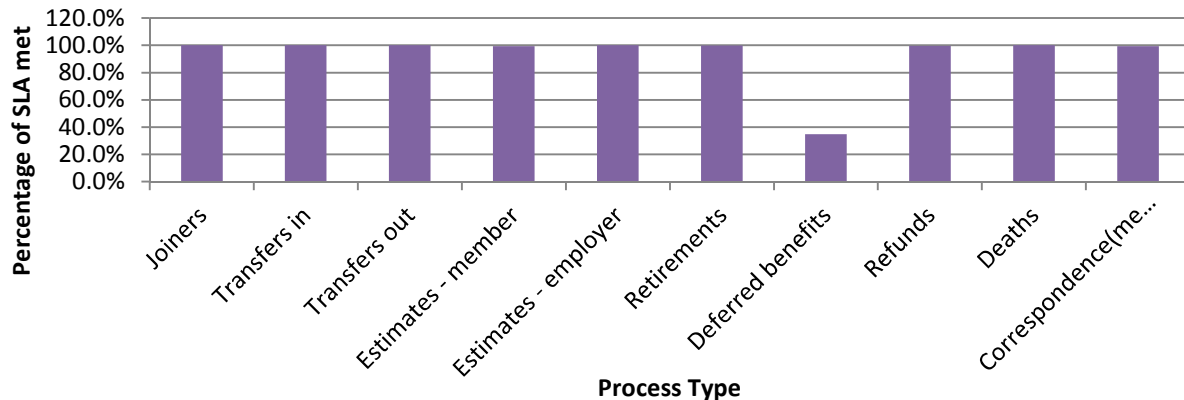
Deferred Benefit Cases:

	Actual figures from previous year											
	30-Jun-16	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16	30-Nov-16	31-Dec-16	31-Jan-17	31 Feb 17	31-Mar-17	30-Apr-17	31-May-17
B/F	2360	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416
Added	765	352	505	1151	115	780	66	662	304	193	728	88
Cleared	654	1049	852	764	422	562	406	522	640	426	238	387
C/F	2471	1774	1427	1814	1507	1725	1385	1495	1159	926	1416	1117
<i>Outside of SLA*</i>												409

	Projected figures for the year ahead											
	30-Jun-17	31-Jul-17	31-Aug-17	30-Sep-17	31-Oct-17	30-Nov-17	31-Dec-17	31-Jan-18	31 Feb 18	31-Mar-18	30-Apr-18	31-May-18
B/F	1117	1498	1250	1155	1706	1221	1401	867	929	633	226	354
Added	765	352	505	1151	115	780	66	662	304	193	728	88
Cleared	384	600	600	600	600	600	600	600	600	600	600	442
C/F	1498	1250	1155	1706	1221	1401	867	929	633	226	354	0
<i>Outside of SLA*</i>	790	542	447	998	513	693	159	221	0	0	128	0

* This line shows the amount of cases carried forward that are likely to fall outside of the service level agreement (SLA) before being cleared. It is assumed that cases outside of SLA will be cleared in date order.

Performance against SLA from 01.01.2017 to 31.03.2017



The overall level of cases completed in the previous four quarters is shown in the following table. The variation across the quarters reflects normal annual volume fluctuations across all case types except for deferred, joiners and refunds where additional cases have been identified through year end processing discussed in section 1.1.

Key Processes Completed	01.04.2016 to 30.06.2016	01.07.2016 to 30.09.2016	01.10.2016 to 31.12.2016	01.01.2017 to 31.03.2017
Joiners	786	581	743	646
Transfers in	482	513	425	439
Transfers out	195	175	238	396
Estimates - member	585	527	569	701
Estimates - employer	205	99	157	155
Retirements	809	991	966	869
Deferred benefits	1,759	2,665	1,390	1,588
Refunds	772	325	402	436
Deaths	261	222	206	288
Correspondence	9,017	1,729	1,038	821
Total Key Processes Completed	14,871	7,827	6,134	6,222

LPP Pensions Administration Service Complaints: The quality and effectiveness of the service is, in part, measured against the number of complaints received about the pension administration service. The following chart provides a summary of the status of complaints and those that are now being reviewed under the Internal Dispute Resolution Procedure (IDRP).

In the quarter 6,222 cases were completed and only 1 complaint was received against LPP's service.

Complaints and Internal Dispute Resolution Procedures	Apr – June 2016				Jul – Sept 2016				Oct – Dec 2016				Jan– Mar 2017			
	BBF Previous Quarter	New	Completed - Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld	BBF Previous Quarter	New	Completed - Upheld	Completed - Not Upheld
LPP Service Complaints	0	4	0	0	2	1	3	0	2	2	2	0	2	1	3	0
Administering Authority Complaints	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0
Administering Authority IDRs	4	0	4	0	1	0	0	1	0	1	0	0	1	0	0	1
Total	4	4	0	0	3	0	0	0	0	4	2	0	4	1	3	1

LPP Service Complaints:

- A complaint was received due to the member receiving a delayed response to their queries. The matter has been dealt with and the member met with Herts LPP staff where it transpired that the initial queries had been sent to an incorrect email address. All queries sent to the correct email address have been answered within SLA.
- A complaint was received from a member who had received personal information regarding another member of the Herts Pension Fund. This was reported to LPP's data protection team who have offered data protection services to the member involved for 6 months. LPP will be reviewing what data is included on letters, forms and calculations as part of a wider project in the near future.
- A complaint was received regarding delayed retirement figures. A letter apologising to the member has been sent along with the requested information.

Administering Authority Complaints:

- A complaint was received regarding a Third Tier III Health Pension ceasing. The regulations state the Third Tier III Health Pension should cease after three years unless it has been uplifted to the Second Tier following a referral request from the member. LPP previously awaited instruction from employers to cease Third Tier III Health Pensions, which has resulted in over payments, so the process has been amended in conjunction with Hertfordshire County Council HR to cease all Third Tier III Health Pensions after three years and inform the employer. Hertfordshire County Council are reviewing leaver information to ensure that the member was aware that this pension would only be payable for a maximum of three years. An article will be included in the employer newsletter to ensure that employers are aware of this change.

Administering Authority IDRs:

- A stage 1 appeal regarding under-paid added years' contributions that has been turned down by the employer and has now moved to stage 2. A further £500 compensation has been awarded to the member and paid. The member has now appealed under stage 2 of the procedure.

1.4 Scheme Employer Performance Indicators

The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers. The Strategy also sets out the potential sanctions that will apply in the event of failure to comply.

Penalties for Late Payment of Contributions: There were 10 instances of late payments being made by employers during the period January 2017 to March 2017 out of approximately 1000 payments due, and details are provided in the attached table at Appendix 1 to the report. A summary of payment performance over the last 6 months is also included showing the total instances of late payments, together with cumulative totals for days late and amount payable for all relevant employers.

The team continues to take a proactive approach to monitoring late payers and officers at Hertfordshire County Council are provided with a monthly report of late payers so that penalties may be applied where applicable.

SECTION 2 PROJECTS AND KEY ACTIVITIES

1 Employer Covenant

The LPP and Hertfordshire County Council Pension Team meet on a monthly basis to monitor the progress of Scheme Employer admissions and terminations. This includes a risk review of Scheme Employers and imminent changes that may affect their funding position or ongoing admission to the Pension Fund. Risk monitoring for Scheme Employers is in place via risk scoring, and seeks to provide a mechanism for early identification of issues. An update is provided to the Pensions Committee as part of the quarterly Risk and Governance Report.

The annual employer surveys were recently reviewed and have been made more thorough to ensure that they will highlight all risks that the fund needs to be made aware of. They were issued to all active employers at the start of June 2017.

2 Guaranteed Minimum Pension (GMP) Reconciliation

In April 2016, contracting out status for all UK defined Benefit schemes ended. From January 2019, HMRC will no longer provide relevant information to Schemes and statements will be issued to individuals based on the final position recorded at the end of 2018. Before this happens all schemes will need to reconcile their GMP data against that held by HMRC to ensure that correct liabilities are recorded and to avoid pensions being over/under paid or being faced with the burden of paying a GMP for members who are no longer in their Scheme.

The project to address this work is now underway and appropriate resources have been put in place to ensure the project is delivered on time and to the agreed budget.

i. Payroll Revisions

- a. All 1,145 pensioner records have now been reviewed, with 483 records requiring a revision to a pension in payment.
- b. Of the 483 records that have required a revision to the pension in payment, 11 have yet to be passed to payroll as 10 records require additional information from the archive records at County Hall before the revision can be completed and 1 record has been sent to LPP Herts for an additional checking step as the revision calculation was exceptionally long.
- c. The remaining 472 records have had the revision forms passed to payroll and will be implemented up to and including the June 2017 payroll run.
- d. The overall impact on the pensions payroll currently amounts to a payroll reduction of £43,376 per annum.
- e. The total overpayment that we have calculated so far amounts to £389,571.

ii. Dependant records

- a. We have completed a manual reconciliation of the 1,804 dependant records that HMRC believe hold a liability within the Hertfordshire County Council pension fund. The results of this analysis is as follows:
- b. 635 Records were traced and have matching GMP figures
- c. 798 Records were traced but have mismatching GMP figures
- d. 84 Records were matched but the dependant has now passed away

- e. 80 Records were matched but are held as no liability on Altair
- f. 12 Records we believe have an error with the information that HMRC has provided
- g. 195 Records on HMRC's data cannot be traced to a record on Altair
- h. The resulting work that is required to resolve the issues identified throughout the dependants' reconciliation will form part of the next phase of the GMP reconciliation project.

iii. Orphan Records

- a. At the end of January 2017, Hertfordshire County Council agreed that they would assist LPP in trying to identify some of the remaining 1,760 "Orphan Records" by running a list of these individuals across the Council's payroll system to see if they appear but are not a member of the LGPS.
- b. This list has now been prepared and we have been in contact with the HR Manager, Strategy, Policy & Reward to discuss what information Hertfordshire County Council would require (and in what format) as well as over what periods would they need to be searching.
- c. Please note that we have held this particular work stream on the project plan as 75% complete even though we have already completed the manual matching exercise of the Orphan Records that relates to this work stream. This is to highlight that this additional piece of work is still ongoing and the outcome of the payroll match will need to be reviewed.
- d. LPP would recommend that any further queries that are generated in respect of the orphan records form part of the next phase of the reconciliation project.

The table below shows the GMP project activity and its current status:

Activity	Start Date	End Date	Actual % Complete	Forecast % Complete
HCC GMP Reconciliation - Second Stage	02/11/2015	18/05/2017	95 %	100 %
Initiation				
Internal Document sign off	02/11/2015	03/12/2015	100 %	100 %
External Document sign off	04/12/2015	11/01/2016	100 %	100 %
Initial project set				
Resourcing	22/01/2016	24/02/2016	100 %	100 %
Agree revision letters	22/01/2016	27/01/2016	100 %	100 %
Staff training	24/02/2016	01/03/2016	100 %	100 %
Phase 1 Work - Record revisions and Multiple Records				
Work Stream 1 - DB GMPs bulk uploaded to Altair	03/03/2016	07/03/2016	100 %	100 %
Work Stream 1 - Manual update bulk upload rejections	07/03/2016	14/03/2016	100 %	100 %
Work Stream 1 - Review records where Altair and HMRC GMP figures differ	16/03/2016	25/03/2016	100 %	100 %
Work Stream 2 - Pensioners under SPA GMP to update on Altair	29/03/2016	11/04/2016	100 %	100 %
Work Stream 2 - Review records where Altair and HMRC GMP figures differ	14/04/2016	18/04/2016	100 %	100 %
Work Stream 3 - Pensioners over SPA benefit revisions	19/04/2016	02/08/2016	100 %	100 %
Work Stream 3 - Review records where Altair and HMRC GMP figures differ	18/08/2016	27/01/2017	98 %	100 %
Work Stream 4 - Manual Reconciliation of Dependants Pensions*	22/02/2017	21/03/2017	100 %	100 %
Work Stream 4 - Dependant Pensions "Was in Scheme" queries investigation*	27/03/2017	14/04/2017	100 %	100 %
Work Stream 5 - Manual Reconciliation of "Multiple Records"	29/03/2016	11/11/2016	100 %	100 %
Phase 2 Work - Creation and Upload of Query Lists				
Work Stream 6 - Revaluation rate Queries	03/03/2016	04/03/2016	100 %	100 %
Work Stream 7 - Surname Queries	03/03/2016	06/05/2016	100 %	100 %
Work Stream 8 - "Was in Scheme" Queries	03/03/2016	04/03/2016	100 %	100 %
Work Stream 9 - Request for Spouses details from HMRC	03/03/2016	04/03/2016	100 %	100 %
Work Stream 10 - "Not in Scheme" queries upload	10/10/2016	11/10/2016	100 %	100 %
Work Stream 11 - GMP Amount queries upload	23/03/2016	24/03/2016	100 %	100 %
Work Stream 12 - Contracted-out Dates queries upload	27/04/2017	28/04/2017	100 %	100 %
Phase 3 Work - Manual Investigation of Queries				
Work Stream 13 - Bulk extract and manual investigation of "Not in Scheme" queries	03/03/2016	07/10/2016	100 %	100 %
Work Stream 13 - Review "Orphan Records" information received from HMRC	07/03/2016	18/05/2017	75 %	100 %
Work Stream 14 - Manual investigation of GMP amount queries	03/03/2016	23/03/2016	100 %	100 %
Work Stream 15 - Manual investigation of Contracted-out Dates queries	03/03/2016	26/04/2017	100 %	100 %

* Original Project Plan activity was as follows:

Work Stream 4 - Revisions to Dependant pensions with no GMP currently on Altair

Work Stream 4 - Review records where Altair and HMRC GMP figures differ

SECTION 3 LGPS REGULATIONS AND SCHEME CHANGES

1 Recent court ruling

Following the court ruling in Northern Ireland relating to the pension scheme not having the discretion to provide a dependants benefit if a nomination form was not held, whilst we do not believe this will have any significant effect on the LGPS scheme (with only deferred members who left and died between 1 April 2008 and 31 March 2014 not provided for with current regulations). We are still waiting on promised advice from Government with a national approach to cover all public sector scheme suggested.

3 Exit Payments

Exit Payment Cap

Further to the previous update that the Enterprise Act became effective from 1 February 2017 and that we a further consultation from HM treasury is awaited, this is an unchanged position.

Exit payment recovery

Equally no further update has been provided on the introduction of the exit payment recovery (for members earning in excess of £80,000).

We have been advised by officers from the Department of Communities and Local Government (DCLG) that only essential pension legislation will be processed during the Brexit process, it is unclear whether necessary amendments that would be required to implement the exit payment cap and recovery would be considered essential.

4 Pensions Dashboard

Implementation of the Defined Contributions pension schemes 'dashboards' from 2019 is making progress, with the plan being that Defined Benefit and Public Sector schemes join this practice shortly after. LPP's software provider Heywoods have been involved in the design of the system however a number of significant concerns still remain outstanding:

- i. Who will pay for the system (pay per click/levy via The Pension Regulator, Government provided)
- ii. The security will be provided via the UGOV website and login facility- but risk of such data being mishandled is significant.
- iii. Stopping sales approach being built in.
- iv. Comparing different schemes data if fund 1 pays benefits unreduced at 65 whereas fund 2 pays at 68 will the dashboard allow members to compare like with like?
- v. How to avoid miss-selling 'sharks' (PPI sales teams being diverted to 'encourage' those over 55 to check their dashboard then they will 'assist' the member to receive a cash injection).

4 Overseas transfers

In the March Budget the Government introduced a 25% tax charge for some overseas transfers paid from this date. The LPP has now put in place an amended process to capture and pay this adjusted value from the transfer value to HMRC. It is anticipated this will significantly reduce the request to make overseas transfer when the member is not residing in the receiving country.

5 Amendment regulations

Finally the expected amendment regulations to introduce freedom and choice approach to AVC's and amended fair deal have not been released, and there is no expectation that this will occur any time shortly.

Employers not Meeting Statutory Payment Deadlines

Scheme Employer	Oct-16		Nov
	Days	£	Days
Northgate Info Solutions (DBC)			
Northgate Info Solutions UK			
Colney Heath Parish council			11
John O'connor			
Three Rivers DC	2	45,026.76	
Watford Borough Council	2	£38,896.03	
Croxley Green	2	£1,272.46	
Welwyn Parish Council	6	£2,588.29	
Evergreen Cleaning Co (Hemel)			1
Watford Community Housing Trust			
Hatfield Town Council			
St Albans District Council			
Sawbridgeworth Town Council			
Hets Association of Parish & Town Councils			
Ashwell Parish Council			

All scheme employers that fail to pay by the due date are contacted and advised of their LC
A monthly review of late payers is carried out by HCC and penalties are levied when

APPENDIX 1

Nov-16	Dec-16		Jan-17		Feb-17		Mar-17	
£	Days	£	Days	£	Days	£	Days	£
					61	4092.78	1	3596.21
					61	475.15	1	475.15
£477.15	32	£690.65						
	7	£950.94						
£164.39								
	5	£2,998.12						
			4	8350.8				
			2	309050.6				
			2	3835.5				
			1	1000.5				
			16	402.7	22	£402.70		

3PS administration responsibilities which are set out in the Administration Strategy.
re appropriate.