

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 3 JULY 2017

ATTENDANCE

MEMBERS OF THE BOARD

Employer Representatives: G Clay, D Graham, P Neville

Member Representatives: D Devereux, J Digby (Chairman), C Roberts

STANDING SUBSTITUTE MEMBERS

Employer Representatives: J Anderton, M Green, T W Hone

Member Representatives:

Upon consideration of the agenda for the Pensions Board LGPS meeting on 3 July 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 Board in relation to the matters on which conclusions were reached at this meeting.

Chairman's Announcements:

- i. The Chairman advised the members that Allan Bowen had emailed to tender his resignation as a Standing Substitute Member Representative and thanked him for his service on the Board.
- ii. The chairman updated the Board on progress with the actions from the Minutes of 14 March 2017.

1. MINUTES PART 1

- 1.1 The Minutes of the Pensions Board LGPS meeting held on 14 March 2017 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, (Tel: 01992 555078),
Vishal Raj, Accountancy Officer, (Tel: 01992 658104)]

- 2.1 The Board received the quarterly report on governance and risk management of the Pension Fund covering the period 1 January to 31 March 2017 which also encompassed the Administering Authority Report on Performance Indicators for the Administration Strategy; Specific Scheme Employer Matters; and details of reports presented to the Pension Committee which were not on the Pension Board agenda, including its response to feedback or comments from the Board. Officers summarised the key changes in the last quarter.
- 2.2 During a summary of the key change in the last quarter officers highlighted that, despite vacancies within the Pensions Team, there had been an improvement in outstanding admission agreements which had decreased from 26 in March 2017 to 23 in June 2017. It was noted that appointments had been made for July 2017 which would fill vacancies and allow further focus to be applied to this backlog.
- 2.3 In further discussion the Board noted the detail of how scheme employers were assessed in terms of their risk criteria and on the basis of this were categorised as posing a red, amber or green risk in terms of their potential impact on the pension scheme. Those with 9+ points fell into the red (high risk) category whilst those with 4-8 points fell into the amber (medium risk), and those with less than 4 points were classed as green (low risk). Officers highlighted that scheme employers which fell into either of these categories had been advised of their position at the last valuation and that their situation would continue to be brought to their attention.
- 2.4 The Board suggested that, even though the scheme employers in the red risk category had now accumulated a small surplus, future consideration should be given to the likelihood of other financial risks materialising.

Conclusion:

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

3. LGPS PENSION BOARD CONSTITUTION MEMBERSHIP APPOINTMENT REVIEW

[Officer Contact: Patrick Towey, Head of Specialist Accounting

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- 3.1 The Board considered a report which, as per the request of its members on 14 March 2017, reviewed the appointment process for members of the Pension Board to ensure that it preserved knowledge and experience which could be lost if all pension board members retired at the same time after their four year term.
- 3.2 Officers brought members' attention to the staffing and work pressures associated with the local elections in May 2017 and in relation to this apologised for the limited nature of the current review. Members heard that related remuneration considerations and the end of term process would be addressed at the September 2017 meeting of the Board, in particular the mechanism for appointing new Pension Fund member representatives.
- 3.3 The Board noted the two possible scenarios:
Scenario 1: Re-appointment of all existing Board Members (BMs) after their terms ended on 31 March 2019;
Scenario 2: Re-appointment of some, but not all existing BMs after their terms ended on 31 March 2019;
and the provisions to achieve the rotations.
- 3.4 Members of the Board variously commented that:
- Member Board Members should be involved in the process of recruiting for their side of the board;
 - An open but not too onerous process was required for selection of member representatives;
 - There was the potential for members to be appointed indefinitely unless they resigned;
 - The requirement for new blood on the board needed to be balanced against the risk of the whole board leaving at the same time;
 - The experience of longstanding members was a potential strength to the board;
 - Best practice should be researched , for example setting a maximum period of service on the board e.g.9 years;
 - A process was required for appointing permanent substitute members as full members;
 - Lots could be drawn to decide which members of the Board served a 2 or 4 year term.
- 3.5 Board members expressed support for both options. During discussion Members highlighted that original board members had been appointed on 1 April 2015 and that their term ended on 31 March 2019.
- 3.6 There was a request for substitute members to be notified in advance if their corresponding full member could not attend a

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Board meeting, to ensure that they were clear about the need to attend.

Conclusion:

- 3.7 The Pension Board accepted the report, commented as above on the report and discussed the proposal for board membership rotation.

4. PENSION FUND ASSET POOLING – ACCESS UPDATE

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

- 4.1 The Board received a report which a reviewed the activities undertaken by the ACCESS group since February 2017 including governance, procurement, passive procurement and financial implications.
- 4.2 In response to questions on the first formal meeting as an established body in July 2017, of the Chairmen of the ACCESS Pension Fund (including the Chairman of the Hertfordshire Pension Fund) (i.e. the Joint Governance Committee (JGC)), officers agreed to report back to the Board on the rotation provisions for the secretariat and chairmanship of the JGC, also on remuneration of the JGC chairman.
- 4.3 During discussion, the Board heard that as a consequence of the JGC, the Pensions Committee (PC) would no longer be able to appoint and dismiss Fund managers directly, this role being undertaken by the Operator in consultation with the JGC. Pensions Committee would however continue to receive briefings and utilise Mercer as an investment consultant given the continuing role of the PC in setting and monitoring investment strategy for the Fund.
- 4.4 Further to discussion Members heard that the Operator procurement timetable had slipped slightly and that the date for contract signature had moved from 1 November 2017 to January 2018. In response to concerns around this Officers clarified that the Operator had to be established and in place by 1 April 2018.
- 4.5 In relation to the Operator’s initial five year contract term (extendible by two years), Members suggested that ‘divorce’ clauses were required to mitigate against possible financial penalties.

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4.6 Members were advised that the £103,897.44 ACCESS project costs incurred by the Hertfordshire Fund to the end of March included legal and project management fees, but excluded officer time which totalled a further £104k.

Conclusions:

4.7 The Pension Board noted the content of this report.

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

[Contact: Taryn Mutter – Head of Client Delivery (LPP)]

5.1 Members received the quarter 4 2016/17 update from the Local Pensions Partnership (LPP) 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.

5.2 During discussion of the Service Level Agreement (SLA) Members noted that processing of Deferred Benefit cases had brought LPP performance down to 83% over the quarter. In light of this, Members suggested that the LPP projected figures of processing 600 Deferred Benefit Cases each month from 31 July 2017 to 31 April 18 to clear the backlog was overoptimistic. T Mutter clarified that an average of three full time LPP staff worked on these cases however, as there had been a 30% turnover in officer staff, new staff had been recruited as replacement. It was noted that these staff had required and were undergoing training and this had affected their productivity in the last quarter. The chairman requested a more realistic estimate of Deferred Benefit case clearance in future reports.

T Mutter

5.3 To the comment that the LPP needed to employ more staff to clear the Deferred Benefit Cases, M. Allen (LPP) clarified that the steady state for the number of these cases varied over the course of the year and that the issue was further complicated by an increase in the number of complex cases. The Board suggested that charging financial penalties to employers who did not submit leaver data on a timely basis would generate income which could be used to fund extra manpower to clear the backlog; T Mutter (LPP) clarified that the numbers of these employers would not be known until the end of the year. M Allen (LPP) requested more dialogue on this issue with the Pension Board chairman and officers.

T Mutter.
M Allen,
J Digby
P Towey,

5.4 In terms of overall SLA the Board heard that, Deferred Benefit Cases aside, all cases had been dealt with.

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- 5.5 In response to member questions officers clarified that there was a de minimis tolerance for investigation of Guaranteed Minimum Pension (GMP) reconciliation variances, as some differences were a matter of pence and it was not financially viable to carry out the work to recalculate.
- 5.6 The Board noted the progress made on implementation of the Defined Contributions pensions schemes 'dashboards' from 2019 and that it was planned for the Defined Benefit and Public Sector schemes to join this practice shortly after. T Mutter clarified that the dashboard would enable users to see all their pensions in one place, however it was still in the early stages of development and highlighted the significant concerns outstanding with it.
- 5.7 During discussion T Mutter advised the Board that the employer covenant and survey had been sent out in June and that the covenant checks were carried out independently. The Board requested an update on this.
- 5.8 In line with national precedent and established case evidence the Board heard that Hertfordshire was not seeking to recover £389,571 in total overpayments related to GMP and payroll revisions.

T Mutter

Conclusions:

- 5.9 The Pension Board noted the contents of the report.

6. DATES OF FUTURE MEETINGS

- 6.1 The Board noted the dates of future meeting as follows:

- 6.2 20 September 2017
14 December 2017
20 March 2018
18 July 2018

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

7. OTHER PART I BUSINESS

- 7.1 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

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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 MARCH 2017

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

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

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