

HERTFORDSHIRE COUNTY COUNCIL

LGPS PENSION BOARD

20 SEPTEMBER 2017 AT 11:00AM

Agenda Item No:

7

ANNUAL REPORT OF THE PENSION BOARD 2016/17

Report of the Director of Resources

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1. Purpose of the Report

- 1.1. To provide a summary on the activity of the Pensions Board for the year from 1 April 2016 to 31 March 2017. Future reports will be produced annually, and presented to the September Pension Board meeting following the financial year end.

2. Summary

- 2.1. The report aims to provide stakeholders with an opportunity to review the activity of, and changes within, the Pension Board over the previous year of operation, as well as forward planning for key themes and pieces of work for the coming year. The report will cover the following areas:
 - i. An outline of the Board structure and any changes to the constitution and membership during 16/17.
 - ii. General activity of the board including frequency, dates and content of meetings. A more detailed summary will cover key topics and regular items during the period.
 - iii. Forward plan for the upcoming year, 2017/18 which will highlight the key topics and challenges that the Board are expecting to cover in the next financial year.
 - iv. Details of the training sessions delivered to date and the forward plan for future sessions.

3. Recommendations

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

4. Background

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

5. Activity Report

- 5.1. In accordance with SAB guidance, the Hertfordshire LGPS Pension Board was established with an equal number of employer and member representatives. Eight Pension Board Members were appointed in April 2015 alongside six substitute members. The table below shows the movement in membership from April 2016 to March 2017.

Employer Representatives		
Apr-16	Mar-17	
D Ashley	D Ashley	Members
D Graham	D Graham	
G Clay	G Clay	
P Neville	P Neville	
T Hone	T Hone	Substitutes
J Hurley	J Hurley	
J Anderton	J Anderton	
M Green	M Green	

Member Representatives		
Apr-16	Mar-17	
D Devereux	D Devereux	Members
J Digby	J Digby	
K Harding	K Harding	
W Ogle	C Roberts	
A Bowen	A Bowen	Substitutes
C Roberts	TBC	

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

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

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

- 5.3. There will be a new appointment process for the positions of Chairman and Vice Chairman at the September 2017 meeting.
- 5.4. Board meetings are scheduled quarterly, and contain a mixture of specific themes and regular reports which are outlined in sections 5.5 and 5.6 below respectively. The full summary of topics covered at each meeting during 2016/17 is attached at Appendix A.
- 5.5. Key topics and priorities which have been discussed and reviewed by the board include:
 - 5.5.1. Asset Pooling: Following the announcement of national LGPS Pension Pooling by the government in summer 2015 the Pension Board has played a key role in overseeing and appraising the decision making processes adopted by the Pension Committee in respect of implementing this directive. The Pension Board has received updates and briefings on key papers presented to the Pension Committee on this topic, including scrutiny of key decisions including choice of pooling partner, the governance model of the pool and the form of the operational vehicle that should be adopted by the pool.
 - 5.5.2. Annual Report & Accounts: The Pension Board were presented with the 2015/16 Annual Report and Accounts (in September 2016) in order to review both the financial position of the Pension Fund, and any findings identified during the external audit of the fund.
 - 5.5.3. Training Plan: A training plan was initially produced in November 2015 and revised in September 2016 to incorporate and cover all areas of the CiPFA recommended syllabus for knowledge of Pension Board members. This training plan has been updated as at September 2017, and is outlined in Section 7 below.
- 5.6. There are a number of recurring reports which are prepared quarterly to support the Pension Board in monitoring ongoing performance:
 - 5.6.1. Risk & Governance Paper: Quarterly report which provides members of the board with detailed information regarding the governance and risk management of the pension fund. The report provides a breakdown of all employers and their current risk status in the fund based on the activity during the quarter. The report also provides a high level view of the overall risk strategy of the fund and the key performance elements that the fund have identified as being crucial to its success and stability.
 - 5.6.2. Local Pensions Partnership (LPP) Administration Report: The LPP are the outsourced provider of the Pension Fund's administration service, and provide a quarterly update on the performance of this service, as well as technical developments, updates and regulatory changes which

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

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

6. Forward Plan 2017/18

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

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

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

- 6.1.2. Implementation of revised Investment Strategy – Hertfordshire produced and published its 2017 Investment Strategy Statement (ISS) on 31 March 2017 in line with Government requirements. The implementation of this revised strategy will take place over 2017/18 and future years, and the Pension Board will play a role in both supporting Pension Committee with the implementation of this, as well as monitoring the overall outcomes of the new strategy.

- 6.1.3. Retendering of Pensions Administration Contract – the pensions administration service is one of the fund's key contracts, and the current contract with LPP will expire on 31 March 2019, although there is the option to extend this for a maximum of two further years. Due to the size and critical nature of the contract, preparatory work would ordinarily commence on the recommissioning at least one year in advance, therefore the decision to extend (or not) will need to be made in Autumn/Winter 2017 to allow time for a procurement process to take place if required. Given the Pension Board's role in scrutinising and

monitoring the performance of external business partners, they will be consulted on the recommissioning of this contract, and/or the decision by Pension Committee to extend the existing contract.

6.2. LGPS Pension Board 17/18 Meeting Plan:

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

7. Training Plan

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

Date	Session	Module(s) to be Covered	Facilitator
30 September 2016 (occurred)	Pension Board Meeting	(6) Investment Performance & Risk Management (7) Financial Markets and Product Knowledge	Mercers (Investment Consultant)
6 December 2016 (occurred)	Pension Board Meeting	(8) Actuarial Methods, Standards & Practices	Hymans Robertson (Actuary)
20 September 2017	Pensions Board Meeting	(4) Pensions Accounting & Auditing Standards	HCC Officers
TBC November 2017	Dedicated Session (with Pensions Committee)	(3) Pensions Administration (5) Pensions Service Procurement & Relationship Management	TBC
TBC January 2018	Dedicated Session (with Pensions Committee)	(1) Pensions Legislation (2) Pensions Governance	Provisional: Squire Patton Boggs (External Legal Consultant)
20 March 2018	Pensions Board Meeting	(n/a) The Pensions Regulator Code of Practice #14	TBC

**Appendix A:
Topics Addressed at Pension Board meetings April 2016 – March 2017**

2016/17

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

- September 2016
 - Pension Fund Report & Accounts
 - Audit Results Report
 - Member Training Plan Update
 - Access Update
 - Risk & Governance Report
 - LPP Administration Report
 - Funding & Investment Report

- December 2016
 - Asset Pooling Update
 - Annual Reports Scoping Update
 - 2016 Valuation Initial Results
 - Risk & Governance Paper
 - Asset Pooling Update
 - LPP Administration Report
 - Funding & Investment Report

- March 2017
 - Annual Report on of the Pension Board
 - Review of the Operation of the Pension Board
 - Risk & Governance Paper
 - LPP Performance Report
 - Funding & Investment Report