

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 8 DECEMBER 2017

ATTENDANCE

MEMBERS OF THE BOARD

Employer Representatives: D Ashley, G Clay, P Neville (Chairman)

Member Representatives: K Harding, C Roberts

STANDING SUBSTITUTE MEMBERS

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

Member Representatives: Vacant

Upon consideration of the agenda for the Pensions Board LGPS meeting on 8 December 2017 as circulated, copy annexed, conclusions were reached and are recorded below:

Chairman's Announcements:

The Board were advised that David Devereux had resigned from his position as an Employee Representative to take up a post with Bedfordshire branches of UNISON.

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

PART I ('OPEN') BUSINESS

1. MINUTES PART 1

- 1.1 The Minutes (Part I) of the LGPS Pensions Board meeting held on 20 September 2017 were confirmed as a correct record and signed by the Chairman.

2. PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

[Contact: Jolyon Adam, Finance Manager (Tel: 01992 555 078)
Antony Kindell, Accountancy Officer (Tel: 01992 556895)]

- 2.1 The Board received the quarterly report on governance and risk

management of the Pension Fund for 1 July to 30 September 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 previous meeting of the Pension Committee which were not on the Pension Board agenda, including its response to feedback or comments from the Board.

2.2 Members heard that following publication of the agenda and in particular the funding and investment report, an error was found in the actuarial report which had led to overstated fund asset returns and an overstatement of the funding level of the Fund. Consequently erroneous actuarial reports had been sent to in excess of 100 academies, colleges and the University who used these reports in preparation of their financial accounts. The affected employer bodies all had a financial year end of July/August.

2.3 The error had arisen because asset return numbers supplied to the actuary had not been reviewed and signed off by senior officers. In mitigation, once the error had been identified, officers worked with the actuary to commission revised reports and issue them to the impacted bodies as soon as possible in order that they could accordingly amend their financial statements. Officers highlighted that controls were now in place to ensure a senior officer in the team would review and sign off the returns, and that an accompanying audit trail would be supplied to the actuary to evidence the returns for the period concerned. The Leader of the Council and the Chairman of Pension Committee had already been made aware of the incident and a report would be presented to the Pension Committee.

2.4 Members heard that the additional audit and accountancy costs incurred by the affected bodies would be reimbursed, however no decision had as yet been reached on whether the Pension Fund itself or the Administering Authority should bear the cost of reimbursement.

2.5 In light of the incident and discussion on quarterly refreshing of the Risk Register, the Board heard that officers were reviewing Administering Authority areas where controls were necessary and critical; officers would work with internal auditors to direct them to areas of concern and any audit findings would subsequently be reported to the Board.

J Adam

2.6 Following discussion of employers with unrecoverable funding deficits officers agreed to bring a comprehensive report on the issue to the March 2018 meeting of the Board.

J Adam

Conclusion:

2.7 The Board commented on and noted the content of the report.

3. LEGAL ADVICE ON ADMISSION PROCESS

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

- 3.1 The Board received an overview report on a number of proposed measures, submitted for comment to the Fund's legal consultants Squire Patton Boggs (SPB), which sought to expedite the admissions process for new employers entering the fund and to address the backlog of admission cases.
- 3.2 Officers highlighted the issues behind outstanding Admission Agreements (AA), the resultant liability on the scheme employer arising from outsourced contracts where there was a TUPE transfer of staff from a scheduled body who were currently members of the LGPS, officer's proposals for vehicles to encourage employers to pursue timely completion of their AA and Squire Patton, Boggs' assessment of these options.
- 3.3 Officers clarified that Hertfordshire's LGPS was one of only a few funds to commission such as assessment and, on the basis of equitable sharing of knowledge, would share the findings with the other funds in ACCESS. A Member commented that they would like to know what the other funds were doing.
- 3.4 Members noted:
- The proposed timescale of 6 months to have an AA in place, after initial outsourcing of the contract, before charging for delay began;
 - The administration charge was a vehicle for recovering the cost of any work involved in the process;
 - The penalties would be backdated to the inception of the contract as an incentive;
 - The fund members had not yet been informed of the proposals;
 - That officers would share the legal advice with the Fund's actuary to understand the practical implementation of the process and that this would be presented to Pensions Committee for approval.
- 3.5 A Member commented that intuitively the body paying the worker's wages should pay the pensions contributions from the outset.

Conclusion:

- 3.6 On the basis of Squire Patton Boggs' advice the Board recommended that officers take the proposal for the introduction of a premium contribution rate, in the form of a secondary contribution rate set out in a 'Rates and Adjustments Certificate' (RAC), and the charging of additional administrative expenses, to the Fund's actuary, Hymans Robertson, to seek their views on its practical implementation.

J Adam

4. LOCAL PENSIONS PARTNERSHIP LOCAL GOVERNMENT PENSION FUND ADMINISTRATION REPORT

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

- 4.1 Members received the quarter two 2017/18 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.
- 4.2 John Crowhurst (Deputy Director of Pensions LPP) presented the report.
- 4.3 Members expressed disappointment at the LPP's (61%) quarterly overall level of performance against Service Level Agreement (SLA) and Volumes, in particular for deferred benefits and deaths. J Crowhurst clarified that the backlogs stemmed from increased staff turnover in the LPP, retirement of experienced staff leaving relatively inexperienced contract staff that were unable to deal with the full range of tasks, staff sickness and pre booked summer leave. In addition the influx of death cases for review to the work flow had impacted the SLA.
- 4.4 Members received assurance that, as part of improving resilience, the LPP's new business model incorporated contingency processes to ensure that the backlog did not reoccur including implementation of a target operation report; recruitment and training of 4 new staff on death benefits and support of London staff by the Preston office.
- 4.5 The LPP Engagement Team's focus on making the system fit for purpose, ensuring that employers knew how to use it, would improve processing throughout the year including the peaks of deferred benefit cases resulting from the end of the school period.
- 4.6 The LPP Engagement Team would approach employers with large staff numbers for details of any major restructuring/redundancies; the Board supported this approach.
- 4.7 The data for Performance against SLA for October and November was tabled and provided as evidence of improvement and can be viewed at:
LGPS Pension Board - 8 December 2017- LPP Performance against SLA for October & November 2017
- 4.8 Members requested that the LPP include the Service Level Agreement (SLA) in future reports.

T Mutter
J Crowhurst

T Mutter
J Crowhurst

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| 4.9 | Members heard that the LPP contract included penalties for not adhering to the SLA and key performance indicators (KPI's), and that the authority was considering enforcement for deferred benefits cases. Officers clarified that LPP currently were charging a reduced rate for other work in lieu of penalties. The Board requested a report on the contractual penalties for deferred benefit cases processed outside of SLA. | J Adam |
| 4.10 | The Board heard that the County Council did not have the resources to bring the pension fund administration in house, that the LPP's contract was due to end in 2019 with an option to extend for 2 years and that officers were investigating the possibility of a shared services contract. Officers agreed to review the LPP's current SLA when the contract came up for renewal and bring a report on the findings to the Board. | J Adam |
| 4.11 | In view of the large amount of sensitive personal data held on Scheme Members by LPP, and the imminent need for their storage and handling to comply with the General Data Protection Regulation (GDPR), the Board requested that the LPP bring a report on its approach to preparation for it. | T Mutter
J Crowhurst |

Conclusion

- 4.12 The Board noted the contents of the report.
- 4.13 The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 4.14.
- 4.14 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 of business on the grounds that it involves 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.

The LPP staff left the room.

PART II ('CLOSED') AGENDA

1. MINUTES

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

2. ACCESS – PASSIVE PROCUREMENT AWARD

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

3. ACCESS – OPERATOR PROCUREMENT

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

**4. PENSION FUND – FUNDING AND INVESTMENT REPORT
(Formerly PERFORMANCE REPORT) AS AT 30 SEPTEMBER
2017**

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

- 4.15 Following discussion on the Part II reports on the items referred to at 4.14 above and Recommendations, the Chairman moved the meeting back into Part I (Open Session).

The Board requested that on future agendas the dates for future meetings were listed directly after the Part I items and include the timings for the meeting.

T Baker

DATES OF FUTURE MEETINGS

The Board noted the dates of future meetings as follows:

20 March 2018: 10.00-13.00hrs

18 July 2018: 10.00-13.00hrs

The Chairman moved to close the Part I agenda.

OTHER PART I BUSINESS

There was no other PART I business.

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

**CHAIRMAN'S
INITIALS**

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