

**PENSIONS COMMITTEE BUSINESS PLAN FOR 2018-19**

*Report of the Director of Resources*

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**1. Purpose**

- 1.1 The purpose of this report is to provide members of the Pension Committee a plan of agenda items that will come to this Committee for 2018/19. As a reminder for all members of the Pension Committee this report also provides a summary of a number of key policy and strategy documents which are kept under regular review by this Committee. In addition, this report also contains detail of the CIPFA knowledge and skills framework that has been developed for local Pension Boards. Officers will look to develop some of these knowledge areas with this Committee particularly through targeted training delivered by officers and external advisors.

**2. Summary**

- 2.1 The Hertfordshire County Council Pension Committee (PC) is responsible for the administration of both the Local Government Pension Scheme (LGPS) and the Fire Fighters Pension Scheme (FFPS). The Pension Committee has its delegation direct from full Council. The Committee's role with regards to both schemes is to set the Pension Fund Objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring of the Fund's activities.
- 2.2 From 1 April 2015, the Public Service Pensions Act 2013 introduced a further layer of governance in the form of Local Pension Boards. The role of the Boards is to assist the Administering Authority (Hertfordshire County Council) to secure compliance relating to governance and administration for both the LGPS and FFPS.
- 2.3 Attached as appendix A to this report is the business plan of work for the financial year 2018-19 that sets out some of the key activities that officers will be undertaking over this period and papers that will be brought before this Committee. Both the LGPS and FFPS Boards have separate work plans which will include the review of certain administration policies and proposing amendments for approval by the Pension Committee. The Pension Boards will also review decisions of the Pension Committee.

- 2.4 Allied to this work agenda it's essential that the knowledge of both the members of the PC and PB is developed so that they understand and can make/scrutinise decisions diligently, training will cover a number of areas to include but not limited to: investments, actuarial assessment, policy understanding, accounting, regulatory and legal, and communications. Training will be delivered to compliment certain pieces of work that both the PC and PB may be reviewing at a particular time in the pension cycle for example the actuarial valuation of the Fund or final accounts. This report sets out the annual business plan and proposed areas of training for this Pension Committee.
- 2.5 The Pension Committee meets six times per year; two of these informal meetings will be for the purpose of meeting some of the Fund's investment managers. Training will also be delivered as part of these Committee meetings.
- 2.6 Appendix B sets out in summary the CIPFA<sup>1</sup> knowledge and skills framework that has been developed for local pension boards. It's a requirement for members of pension boards to develop and acquire this knowledge and officers will develop and deliver training plans for both the LGPS and Fire Boards in conjunction with third party providers. Although not mandatory for elected members of the Pension Committee it's considered best practice for members to acquire knowledge in these areas in order that they can make informed decisions. Officers will look to develop training taking into consideration the working business on the Committee's agenda such as for example understanding of the pension Fund accounts when the Fund's accounts are presented for approval.

### **3. Recommendations**

- 3.1 That the Committee notes the content of this report and comments on whether they wish to see any further items on the forward agenda.

### **4. Background**

- 4.1 As Administering Authority for both the LGPS and the FFPS, the Council has delegated the responsibility for both schemes to the Pension Committee. As referred to in 2.2, the governance and administration of both schemes is supported by two local pension boards made up of equal employer and member representatives. The role of both these boards is to support and assist the PC in the delivery of its governance function and certain monitoring functions such as the oversight of the administration contract with the Local Pensions Partnership. In addition, both Boards will also review strategies and policies approved by the Pension Committee and may ask the Committee to review certain decisions.
- 4.2 The LGPS is a funded scheme in that contributions are made by both employers and members in the scheme; these contributions are invested through the Fund's investment managers with the key objective of ensuring that there are sufficient funds to meet the Fund's future liabilities. There are a number of policies and strategies that underpin the LGPS for which the

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<sup>1</sup> CIPFA - Chartered Institute of Public Finance and Accountancy

Pension Committee has responsibility and a brief introduction to some of these key documents will be provided in this report.

- 4.3 Unlike the LGPS, the FFPS is an unfunded scheme in that members of the scheme make contributions through salary contributions and a top up grant is received from Central Government to meet any difference between income (member contributions) and expenditure (pension payments). The degree of oversight of the FFPS is reduced in that there is no investment strategy and fund manager performance monitoring to undertake and the main agenda items that will come before this Committee will be the approval of administering authority employer discretions and other member policies that are revised and need PC approval.
- 4.4 The working group of cross-party members that has been established in recent years to review the Fund's investment strategy and undertake reviews of asset allocations and de-risking will continue to play a key role in undertaking specific reviews of undertaking informative work for this Committee with the objective of proposing recommendations for this Committee's consideration and approval. Future work that will be undertaken in this area over the next twelve months will include the shortlisting of real asset managers for consideration and approval by this Committee.
- 4.5 Appendix A sets out the schedule of meetings for the Pension Committee and agenda items that will come to this Committee. The agenda will include papers that are business as usual items such as performance reporting, risk and governance, and asset pooling. Agendas may include additional items that need to be brought to this Committee's attention such as regulatory changes that may contain recommendations revising and updating current policies for approval. Both the FFPS and LGPS Boards will also have annual work plans and training to support their role in supporting this Committee.
- 4.6 CIPFA has set out a knowledge and skills framework for Pension Board members in order that those board members can undertake their role in assisting the Committee in the governance and effective management of the Hertfordshire Fund. Appendix B summarises the various modules of learning for board members.
- 4.7 Some of the knowledge requirements set out in appendix B have been delivered to members of this Pension Committee through member induction and through papers and presentations delivered to members by officers and third party advisors. Examples include the triennial valuation of the Fund, the Fund's investment strategy, governance of the scheme and knowledge of asset classes. Officers and third party advisors will deliver additional training in areas set out in the modules in appendix B; training will accompany the Committee agenda when certain related papers are being presented and will form part of the two informal Pension Committee meetings.
- 4.8 Training will be delivered in the form of presentations by officers and advisors, who will include the Fund actuary, investment consultant, pension

administrator and Fund's external lawyers. Training will be recorded and monitored by officers.

## **5. Key Strategies and Policies**

5.1 There are a number of key policies and strategy documents which need to be kept under review for both the LGPS and FFPS. These are listed below and the latest version of these reports can be found on the pension fund website <https://www.yourpension.org.uk/Hertfordshire/Fund-information/Policy-statements.aspx> .

### **5.2 Annual Report**

5.2.1 This report sets out the annual accounts for the Pension Fund, LGPS, for the previous financial year. Within the annual report are the following documents:

- Administering Authority report
- Financial Statements
- Investment Report
- Funding Strategy Statement

5.2.2 The annual accounts will be presented to this Committee in July along with the Auditors report following the audit of the accounts. Statements and notes relating to the FFPS are contained in the main accounts of the County Council. The latest audited version of the accounts can be found on the pension fund website <https://www.yourpension.org.uk/Hertfordshire/Fund-information/Annual-reports.aspx> .

### **5.3 Funding Strategy Statement (FSS)**

5.3.1 This sets out the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the triennial valuation of the Fund. The Fund was last valued at 31 March 2016 and the current FSS was approved by the Pension Committee on 7 March 2017. The next valuation of the Fund will take place on 31 March 2019. This document is only applicable to the LGPS and not the FFPS. As the next valuation year approaches in 2019, additional training on actuarial matters will be provided to this Committee so that they gain an understanding of why the Fund is valued every three years and the assumptions used to inform the valuation process,

### **5.4 Investment Strategy Statement**

5.4.1 The Investment Strategy Statement (ISS) sets out the Hertfordshire Pension Fund's investment objectives. The Local Government Pension Scheme (Management and Investment of Funds) regulations 2016 require all pension funds to prepare, maintain and publish an ISS. This document is designed to explain to fund members, employers and any other interested parties how the Fund's assets are managed and the factors taken into

account in so doing. The latest version of the ISS was approved by this Committee at its meeting held on 31 March 2017. This document is only applicable to the LGPS and not the FFPS. This strategy must be reviewed at least every three years with the next review due to take place in the financial year 2019/20.

## **5.5 Communication Strategy**

5.5.1 This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity. The current strategy was approved by this Committee on 4<sup>th</sup> September 2017.

## **5.6 Governance Compliance Statement**

5.6.1 This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories which are listed within the statement. The principles cover areas such as structure, member representation, voting, meetings etc. It also sets out the functions delegated to the Pension Committee as well as the terms of reference for both the Pension Committee and Pension Boards. This statement is prepared in accordance with the Local Government Pension Scheme Regulations 2013 which require administering authorities to maintain and publish a governance compliance statement. This statement was approved by the Pension Committee on 4<sup>th</sup> September 2017.

## **5.7 Administration Strategy**

5.7.1 The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and ensuring that the Pension Fund is effectively governed. The administration strategy sets out standards and guidelines agreed between employers and the Fund and its aim is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

## **5.8 Administering Authority Discretions Policy**

5.8.1 Regulations allow the County Council as the administering authority to choose how or whether to apply certain discretions for administering the scheme and the Pension Fund. Examples of discretions include the abatement of pensions for members returning to work, the award of death grants and purchase of additional pension through additional voluntary contributions. Employer bodies within the scheme will also have their own discretionary policies to cover areas such as flexible retirement, ill health awards and early retirement without deduction of pension.

## **6. Forward Plan**

- 6.1 The following Forward Plan sets out the planned activities for the next financial year 2018/19. This plan may be amended to include additional activities relating to matters that must be brought to the attention of the Pensions Committee. The forward plan for 2018-19 is set out in Appendix A.
- 6.2 The agendas on the forward plan contain part 1 and part 2 items. Part 1 items are held in public and part 2 items are held after the exclusion of press and public and contain business that involves the disclosure of exempt information. Training will be provided to support Committee members to improve their knowledge and understanding of these activities.

## Appendix A - Pensions Committee Forward Plan

Target Date	Agenda Item
10 July 2018	<b>PART 1</b>
	Audit Results Report – report of auditor Ernst & Young
	Response to the Audit Results Report 2016/17
	Pension Fund Annual Report and Statement of Accounts 2016/17
	Hymans Employer Asset Tracker (HEAT) Report
	ACCESS asset pooling quarterly report
	Asset de-risking transition report
	Risk and performance quarterly report
	<b>PART 2</b>
Funding and investment quarterly report	
5 September 2018	<b>PART 1</b>
	Risk register review and training
	ACCESS asset pooling quarterly report
	Pension Board constitution review
	Risk and performance quarterly report
	<b>PART 2</b>
Funding and investment quarterly report	
30 October 2018	<b>PART 2</b>
	Informal Pension Committee – managers attending and training tbc
20 November 2018	<b>PART 1</b>
	ACCESS asset pooling quarterly report
	Risk and performance quarterly report
	Actuarial Valuation planning and training
	<b>PART 2</b>
	Annual Investment Management Costs Report
Funding and investment quarterly report	
28 February 2019	<b>PART 1</b>
	ACCESS asset pooling quarterly report
	Risk and performance quarterly report
	Pension Fund Business Plan 2017/18
	Treasury Management Strategy 2018/19
	<b>PART 2</b>
Funding and investment quarterly report	
22 <sup>nd</sup> March 2019	<b>PART 2</b>
	Investment Manager presentations – managers attending and training tbc

Appendix B – CIPFA Knowledge and Skills Framework

Module	Knowledge
1. Pensions Legislation	<p>A general understanding of:</p> <ul style="list-style-type: none"> <li>• the pensions legislative framework in the UK.</li> <li>• An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</li> </ul>
2. Pensions Governance	<p>A knowledge of:</p> <ul style="list-style-type: none"> <li>• the role of the administering authority in relation to the LGPS.</li> <li>• An understanding of the role and powers of the various regulatory bodies such as MHCLG<sup>2</sup>, Pensions Regulator, and Pension Ombudsman.</li> <li>• A broad understanding of the role of pension fund committees.</li> <li>• Knowledge of stakeholders of the Pension Fund and their interests.</li> <li>• Knowledge of consultation, communication and involvement options relevant to the stakeholders.</li> <li>• Knowledge of how pension fund management risk is monitored and managed.</li> <li>• An understanding of how breaches in law are reported.</li> </ul>
3. Pensions Administration	<p>A general understanding of:</p> <ul style="list-style-type: none"> <li>• Best practice in pensions administration eg. performance and cost measures.</li> <li>• Fund policies relating to member data maintenance and record keeping processes, internal dispute resolution, contributions collection and scheme communication and materials.</li> <li>• Discretionary powers</li> <li>• The Fund’s pension administration strategy</li> <li>• Pensions Taxation</li> <li>• An understanding of AVC arrangements, including investment</li> </ul>

<sup>2</sup> Ministry of Housing, Communities and Local Government.



	choices, investment performance and payment schedule.
4. Pensions accounting and auditing standards	An understanding of: <ul style="list-style-type: none"> <li>• The financial accounts and audit regulations.</li> <li>• The role of both internal and external audit in the governance and assurance process.</li> </ul>
5. Pensions services procurement and relationship management	An understanding of: <ul style="list-style-type: none"> <li>• The background to public procurement policy and procedures.</li> <li>• Procurement requirements of UK and EU legislation.</li> <li>• The importance of considering risk factors when selecting third party providers.</li> <li>• How the Pension Fund monitors and manages the performance of their outsourced providers.</li> </ul>
6. Investment performance and risk management	An understanding of: <ul style="list-style-type: none"> <li>• The importance of monitoring assets returns relative to liabilities'</li> <li>• The assessment of long-term risks.</li> </ul>
7. Financial markets and products knowledge	An understanding of: <ul style="list-style-type: none"> <li>• The risk and return characteristics of the main asset classes (equities, bonds, property)</li> <li>• The role of these asset classes in long-term pension fund investing.</li> <li>• The importance of the investment strategy decision.</li> <li>• The workings of financial markets and the investment vehicles available to the pension fund.</li> <li>• The limits placed by regulation on the investment activities of local government pension funds.</li> </ul>
8. Actuarial methods, standards and practices	An understanding of: <ul style="list-style-type: none"> <li>• The role of the Fund actuary.</li> <li>• The valuation process, including the funding strategy, and inter-valuation monitoring.</li> <li>• The importance of monitoring early and ill health retirement strain costs.</li> <li>• The implications of including new employers into the Fund and cessation of existing employers.</li> <li>• The importance of the employer covenant and the relative strengths of the covenant across employers.</li> </ul>