

Minutes



To: All Members of the Pensions Committee

From: Legal, Democratic & Statutory Services
Ask for: Stephanie Tarrant
Ext: 25481

PENSIONS COMMITTEE 10 JULY 2018

ATTENDANCE

MEMBERS OF THE PENSIONS COMMITTEE

S J Boulton, R C Deering, M A Eames-Petersen, J M Graham, C M Hayward, A J S Mitchell (Vice-Chairman), R G Parker, S Quilty, R Sangster (Chairman)

MEMBERS OF HERTFORDSHIRE DISTRICT/BOROUGH COUNCILS (NON-VOTING)

K Ayling, M Casey, J Lloyd

Upon consideration of the agenda for the Pensions Committee meeting 10 July 2018 as circulated, copy annexed, conclusions were reached and are recorded below:

Note: No conflicts of interest were declared by any member of the Committee in relation to the matters on which conclusions were reached at this meeting.

PART I ('OPEN') BUSINESS

ACTION

1. MINUTES

- 1.1 Minutes (Part I and II) of the meeting of the Pensions Committee held on 28 February 2018 were confirmed as a correct record and signed by the Chairman.
- 1.2 Members noted that the training and online toolkit discussed at 3.2 of the minutes would be brought to the September 2018 meeting.
- 1.3 It was noted that as highlighted at 7.9 of the minutes, securities lending was to be added to the work programme and that the working group would be considering this particular subject area in more detail in the future

2. HERTFORDSHIRE COUNTY COUNCIL PENSION FUND AUDIT RESULTS REPORT

[Officer Contact: Neil Harris, Associate Partner, For and on behalf of Ernst & Young LLP]

- 2.1 Members received a report which detailed the audit results report at year end 31 March 2018 for the Hertfordshire Pension Fund conducted by Ernst and Young LLP.
- 2.2 The Committee heard that the report was very positive with no major discrepancies to note. Members heard that in comparison to other County Council Pension Funds, Hertfordshire was in a very good position. Thanks were given to the Hertfordshire County Council Team for their cooperation and assistance with the audit. It was noted that this was the second annual audit with minimal concerns.
- 2.3 In response to a Member question on the negotiation around audit fees, Members heard that the fees were set by public auditor arrangements. However, it was noted that there may be an option to negotiate on fees for any additional work.
- 2.4 Members noted that the report provided by Hymans for accounting standard purposes, and to enable early closure of the County Council's accounts, used December 2017 valuations which differed from the figures at the end of March 2018 and queried why Ernst and Young wanted the figures adjusted when other auditors were accepting the December 2017 valuation. Members heard that whilst Ernst and Young could not comment on other auditors, where the difference was higher than the estimation then it was recommended to update it as part of the methodology.

Decision

- 2.5 The Pensions Committee noted the content of the report.

3. HERTFORDSHIRE COUNTY COUNCIL RESPONSE TO THE AUDIT RESULTS REPORT

[Officer Contact: James Kidd, Senior Account, Tel: 01992 555706]

- 3.1 Members received a report which was the County Council's response to the audit report.
- 3.2 It was noted that the service was very pleased with the outcome of the audit report and it was acknowledged that there were only a few minor adjustments required as part of the audit process. Members noted that it was a very favourable outcome for the fund.
- 3.3 Members acknowledged the letter of representation attached at appendix A which was required to be signed by the S.151 Officer and

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the Chairman of the Audit Committee. It was noted that the email address at the top of the letter required correcting before being signed.

Patrick
Towey

Decision

- 3.4 That the response to the Audit Results Report 2017/18 for the Pension Fund was approved, and that the Letter of Representation is signed by the Director of Resources and Chairman of the Audit Committee.

4. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2017/18

[Officer Contact: James Kidd, Senior Accountant, Telephone: 01992 555706]

- 4.1 The Committee reviewed a report which detailed the audited Pensions Fund Annual report and Statement of Accounts for 2017/18.
- 4.2 Members heard that that during 2017/18 the value of the Pension Fund had increased by £255.6m as a result of investment returns that were in excess of the benchmark.
- 4.3 The number of members in the fund had increased from 99,210 to 104,077 members during the year. In response to a Member question around whether this increase was good for the fund, Members heard that it was good as more members were contributing to the fund.
- 4.4 Members noted the management expenses of 14.6 million which was broadly comparable to 2016/17.
- 4.5 The Committee noted the Net Asset Statement as detailed at 4.9 of the report. It was noted that cash deposits had increased from £67,496 to £101,564 due to cash deposits awaiting re-investment.
- 4.6 Members were informed of an error in the final sentence of 5.3 of the report and noted that it should read that 'of the overall increase, active members increased by 2,365, deferred members by 1,665 and pensioners by 837' and that this would be updated. In addition, there were changes required to the paragraph 5.3 and 5.4 to note that the correct year should be 2017/18 instead of 2016/17.
- 4.7 The Committee noted that performance had been better than the benchmark and agreed that 5.5.2 should be amended to read that 'performance over 17/18 outperformed the general benchmark, with the fund returning 5.5% (net of fees) against a benchmark of 3.5%'.
- 4.8 It was noted that Joan Lloyd was not listed under the 2017/18 Pensions Committee Membership on page 6 of the annual report and it was advised the document was a draft and would be corrected for

James Kidd

James Kidd

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the final copy.

Decision

- 4.9 The Pensions Committee noted and commented on the audited Report and Accounts for 2017/18, as detailed above.

5. RISK AND PERFORMANCE

[Officer Contact: James Kidd, Senior Accountant, Telephone: 01992 555706]

- 5.1 The Committee reviewed a report which detailed the quarterly update on Risk and Performance for the Pension Fund for the period 1 January to 31 March 2018.
- 5.2 Members noted the updates in the risk register (section 4 of the report) and acknowledged the de-risking that took place within quarter 4. It was noted that the fund was now 91% funded with a deficit of £415million as of 31 March 2018. Annual benefit statements were due to be issued to all active members by 31 August 2018.
- 5.3 Members noted that late payments were considered by the Pensions Board but acknowledged that performance had not changed and queried over what period late payments were being measured. Member heard that late payments were reviewed on a quarterly basis and was monitored by the Local Pensions Partnership (LPP). Members were advised that late payments were not currently considered a high risk and it was advised that late payments increased slightly during the school holidays and despite the increase in membership late payments had remained stable.
- 5.4 In response to a Member question on the affects to recipients on backlog of Defined Benefit cases from the LPP administration service, Members heard that in-depth detail had been provided to the Pensions Board and that the issue had been in relation to a change of operational structure at the LPP. Members were advised that some additional summary detail could be added to the next report however were assured that the Pensions Board were monitoring the situation.
- 5.5 Members discussed sections C & D of the risk register (section 4) and it was noted that the data issue with the Fire Annual Benefit Statements was being reviewed by the Hertfordshire Fire Pensions Board, however it was noted that it was not anticipated that the problem would affect the 31 August 2018 deadline. In terms of admission agreements, Members heard that the service had been working alongside external lawyers to seek solutions to encourage ceding authorities and new employers to sign off the agreements. These discussions remain ongoing, with the option of introducing penalty fees being considered.

James Kidd

Decision

- 5.6 The Pensions Committee noted the content of the report.

EXCLUSION OF PRESS AND PUBLIC

The Committee agreed to move into Part II ('closed' session').

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. ACCESS UPDATE

Decision

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

2. INVESTMENT STRATEGY ASSET DE-RISKING TRANSITION REPORT

Decision

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

3. PENSION FUND – FUNDING AND INVESTMENT REPORT (Formerly PERFORMANCE REPORT) AS AT 31 MARCH 2018

Decision

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

4. HYMANS ROBERTSON EMPLOYER ASSET TRACKER (HEAT)

Decision

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

5. REAL ASSET PORTFOLIO – INFRASTRUCTURE DEBT MANAGER SELECTION

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Decision

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

6. REVISED LGT ASSET MANAGEMENT FEE

Decision

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

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN_____

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