



**Minutes**  
of the  
Meeting of the  
**Pensions Committee**  
on  
**Friday, 12 July 2019**

1. **Agenda**

2. **Minutes**

3 - 10

# Minutes



To: All Members of the Pensions Committee

From: Legal, Democratic & Statutory Services  
Ask for: Elaine Manzi  
Ext: 28062

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## PENSIONS COMMITTEE FRIDAY 12 JULY 2019

### ATTENDANCE

### MEMBERS OF THE PENSIONS COMMITTEE

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

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

None

Upon consideration of the agenda for the Pensions Committee meeting on 12 July 2019 as circulated, copy annexed, conclusions were reached and are recorded below:

**A conflict of interests was declared by J M Graham and S Quilty in relation to Item 1 of the Part II agenda, as the item highlighted issues within their individual districts where they were local Members. J M Graham also declared that he was the Finance & Property portfolio holder for the district. As the discussion was not focusing on individual cases, and just highlighting broader issues, Cllr Quilty and Cllr Graham were permitted to participate in the discussion and the debate.**

### PART I ('OPEN') BUSINESS

		ACTION
1.	<b>MINUTES</b>	
1.1	Minutes (Part I) of the meeting of the Pensions Committee held on 22 March 2019 were confirmed as a correct record and signed by the Chairman.	
2.	<b>PENSION FUND AUDIT RESULTS REPORT</b>	
	Officer Contact: Matthew Nendick- Finance Manager (Telephone: 01992 555683)	
2.1	The committee received a report outlining the Pensions Fund Audit results for the year ending March 2019.	

2.2	Members were pleased to learn that the audit had raised no specific areas of concern, and that officers had been commended for their compliance assistance during the auditing process.	
2.3	It was noted that since the publication of the report, the valuations testing of Level 3 investments, as outlined at page 5 of the audit results report had been completed.	
2.4	It was clarified that the Council had commissioned a report from its actuary to update and amend the accounts to reflect the legal Guaranteed Minimum Pension (GMP) and recent McCloud ruling	
2.5	<b>CONCLUSION:</b> Members noted the Pensions Fund Audit results.	
3.	<b>RESPONSE TO THE AUDIT RESULTS REPORT 2018/19 – PENSION FUND</b>  Officer Contact: Matthew Nendick- Finance Manager (Telephone: 01992 555683)	
3.1	Members considered the Council's response to the Audit Results report, as discussed at Item 1 of the agenda.	
3.2	It was observed that officers had been pleased to note that there had been no recommendations arising from the report, and that auditors had only identified very minor disclosure amendments, which had not been significant enough to include in the report.	
3.3	Further to the point raised by officers from Ernst and Young when presenting the report at item 1 of the agenda, it was reiterated that officers from the Council would work with officers at Ernst and Young to update the accounts following the recent McCloud ruling and GMP.	
3.4	In response to a Member question, it was confirmed that the cost of the audit process had been £27,000 for the financial year. It was highlighted that this figure was outlined within the Annual Report and Statement of Accounts 2018/19 scheduled to be discussed at Item 4 of the agenda.	
3.5	Further to discussion, it was confirmed that the decision regarding the cost of the audit service was made by the Public Sector Audit Office who produced a national fee scale.	
3.6	Members noted and approved the Management Letter of	

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	Representation attached as Appendix A to the report.	
3.7	The Director of Resources expressed his thanks and gratitude to all officers who participated in the auditing process.	
3.8	<b>CONCLUSION:</b> Members approved the response to the Audit Results report for the 2018/19 Pension Fund and approved that the letter of representation is signed by the Director of Resources and the Chairman of Audit Committee.	Matthew Nendick
4.	<b>PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2018/19</b> Officer Contact: James Kidd – Senior Accountant (Telephone: 01992 555706)	
4.1	Members considered the Pension Fund Annual Report and Statement of Accounts for 2018/19.	
4.2	The committee were pleased to learn that the Pension Fund had increased by £336m, with a 6.9% return on investments, which was more than the 5.1% benchmark.	
4.3	In response to a Member challenge, officers agreed to consider increasing the emphasis within the report on the £2m savings achieved in management expenses from the pooling of assets in the ACCESS pool.	James Kidd
4.4	During discussion, Members considered the level of risk attached to the amount of liquid assets being held by the Council in terms of the investment strategy. Members were assured that officers were satisfied the level being held, 1% (£45m) held in house and a further 40% (£1.8b) held by UBS in readily available liquid assets was sufficient to meet any emergency funding situation.	
4.5	Members were further assured that further to the recent news of the suspension of the Woodford Capital Trust Fund that has impacted a number of investors, the Hertfordshire Fund has no exposure to Woodford. Officers confirmed that there are robust contract management arrangements in place with Link, the ACCESS pool operator, and that the ACCESS pool funds were only accessible to local authority Funds.	
4.6	<b>CONCLUSION:</b> The Pensions Committee:  Noted and commented upon the audited Annual Report and Statement of Accounts for 2018/19;	

	Approved the July 2019 Governance Statement in Appendix B, to be used going forward.	
<b>5.</b>	<b>VOLUNTARY SCHEME PAYS POLICY FOR FIREFIGHTERS PENSION SCHEME</b>  Rachel Wilson, Senior HR Officer, Strategy & Reward (Tel: 01992 588142)	
5.1	Members considered a report requesting them to agree to the adoption of the Voluntary Scheme Pays Policy (VSP), for firefighters who were not entitled to use the Mandatory Scheme Pays (MSP) to pay their tax bill where the Annual Allowance was exceeded.	
5.2	Further to discussion relating to the amount of money payable by a member to the VSP, an example was provided that the VSP would be repaid through deductions of approximately £500p/a from a policy holder's claimed pension, where the member had earned in the region of £70-80k per year.	
5.3	In response to a Member question it was clarified that the scheme allowed for 'just and reasonable' adjustments to be made by the employer to any VSP policy holder's future benefits to mitigate the risk of any loss of fund repayment through unforeseen circumstances, for instance, death in service.	
5.4	<b>CONCLUSION:</b>  The committee agreed to the VSP policy attached to the report as Appendix A to apply from 1 August 2019.	
<b>6.</b>	<b>ADMISSION AGREEMENTS POLICY</b>  Officer Contact: Patrick Towey Head of Finance (Pensions & Treasury) (Telephone: 01992 555148)	
6.1	Members considered a report outlining the work undertaken by a cross party Member working group in the development of a Fund policy for the admission of new bodies to the Hertfordshire County Council Pension Fund.	
6.2	In response to a Member question, it was noted that although the Council, as administrators of the Pension Fund, could try to ensure that ceding employers and new contractors provided all the personnel information prior to the award of the contract to the Pension Fund, this was not something that they could enforce, as the policy was the property of the Pensions Fund and not the Council.	

6.3	Members noted that the risk of the information not being received could result in Members being classified as 'deferred', but this would not necessarily be communicated to them.	
6.4	Members were reminded that the Council had a robust procurement process and as such this should mitigate the risk of any prospective new member of the Pension Fund not being fully informed of the requirements and the penalties attached to transition.	
6.5	The Committee were reminded that a good example of pensions resilience had been when further to the Allied Healthcare failure, all staff had successfully had their employment and pension transitioned to the Council.	
6.6	The Committee were further assured that officers would raise awareness of the policy at the next meeting of Hertfordshire's Chief Financial Officers.	
6.7	Members asked officers to provide an action plan on legacy cases where an admission agreement does not exist between an outsourcing authority and a new contractor.	Patrick Towey
6.8	It was further agreed that consideration would be given to increasing the emphasis within the policy of the importance of the transitioning arrangements.	Patrick Towey
6.9	<b>CONCLUSION:</b>  The Pensions Committee noted the content of the report and approved the Fund policy for the admission of bodies to the Hertfordshire Pension Fund.	
7.	<b>ACCESS UPDATE</b>  Officer Contact: Patrick Towey Head of Finance (Pensions & Treasury) (Telephone: 01992 555148)	
7.1	Members considered a report outlining the work undertaken by ACCESS since the last meeting of the Committee.	
7.2	The Committee were pleased to note that progress had been made with the pooling of assets and eventually 66.1% of overall Hertfordshire Fund assets would be under pool governance.	
7.3	Further to discussion, Members received assurance that officers in the ACCESS pool were progressing work on the establishment of further sub-funds and were now beginning work on illiquid investment	

	structures. The committee were also informed that the ACCESS pool that the Council were part of were further advanced in its arrangements and structure than many other pooled funds across the country.	
7.4	Members were interested to learn that the Director for the ACCESS Support Unit had been appointed.	
7.5	<b>CONCLUSION:</b> Members noted the content of the ACCESS Update report.	
8.	<b>RISK AND PERFORMANCE (PART I REPORT)</b>  James Kidd- Senior Accountant (Telephone: 01992 555706) and Ann Namubiru – Senior Pensions Governance Officer (Telephone: 01992 588625)	
8.1	Members received the Risk & Performance Report for the period 1 January to 31 March 2019	
8.2	Members considered the information in both the Part I and Part 2 reports before noting the report.	
8.3	<b>CONCLUSION:</b> Members noted the Risk and Performance report.	
	<b>EXCLUSION OF PRESS AND PUBLIC</b>	
	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.	
	<b>PART II ('CLOSED') AGENDA</b>	
	<b>MINUTES</b>	
1.	<b>RISK AND PERFORMANCE (PART II REPORT)</b>	
1.1	The Minute for this item of business is set out in the separate Part II Minutes.	
2.	<b>TRIENNIAL VALUATION – ACTUARIAL ASSUMPTIONS</b>	



2.1	The Minute for this item of business is set out in the separate Part II Minutes.	
<b>3.</b>	<b>INVESTMENT STRATEGY REVIEW</b>	
3.1	The Minute for this item of business is set out in the separate Part II Minutes.	
<b>4.</b>	<b>PENSION FUND – FUNDING AND INVESTMENT REPORT (Formerly PERFORMANCE REPORT) AS AT 31 MARCH 2019</b>	
4.1	The Minute for this item of business is set out in the separate Part II Minutes.	
<b>5.</b>	<b>ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) BELIEFS SESSION</b>	
5.1	The Minute for this item of business is set out in the separate Part II Minutes.	
<b>QUENTIN BAKER</b> <b>CHIEF LEGAL OFFICER</b>		<b>CHAIRMAN</b> _____

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