

MINUTES OF A MEETING OF THE PENSIONS BOARD

THURSDAY, 29TH NOVEMBER, 2018

Present: Samantha Lloyd in the Chair
Kay Brown
Michael Hartney

Officers in attendance: Michael Honeysett (Head of Financial Management), Rachel Cowburn (Head of the Investment Fund), Julie Stacey (Head of Pensions Administration) , Sean Eratt (Senior Lawyer), Peter Gray (Governance)

Also in Attendance: Karen Mc William (Aon)

1. Apologies for absence

1.1 Apologies for absence was submitted on behalf of Henry Colthurst.

2. Declarations of Interest - Members to declare as appropriate

2.1 There were no declarations of interests.

3. Minutes of Previous meeting

3.1 The minutes of the previous meeting were agreed as a correct record, subject to amendment to minute 11.1 replacing 'Board' with 'Committee'.

Matters Arising:

3.2 The Board noted that an employer representative had not yet been appointed to the Pensions Committee and that the Council's constitution would require amendment to facilitate this. Rachel Cowburn outlined the process to be carried out to make the appointment. The Board expressed concerns that the necessary appointments had not yet been made and stressed that the Pensions Committee should make this appointment. The Board asked for an update if the necessary appointments are not made prior to the next meeting of the Pensions Board.

RESOLVED:

That the Board be updated if the necessary appointments are not made prior to the next meeting of the Board.

ACTION: Rachel Cowburn

4. Training - Pooling Governance

4.1 The Board stressed that pre-appointment and post-appointment training should be more robust. Training should focus on the key, core aspects of the work of the Board. A training needs analysis was to be carried out with individual conversations on training needs where necessary. Members were asked to complete the relevant forms and highlight if further discussion was required.

RESOLVED:

To note the report.

5. London CIV Governance Update

5.1 Rachel Cowburn introduced the report providing the Pensions Board with an overview of the governance arrangements of the London Collective Investment (London CIV) and the recent changes made and the drivers behind these changes. The Board noted that despite good early progress, the CIV had faced a number of challenges over the past 18 months. Having initially been set up as a voluntary pool, the CIV encountered difficulties with the introduction of mandatory pooling, with its large number of stakeholders and previous voluntary nature resulting in a lack of clarity around its vision and strategy. A review of the CIV's governance arrangements was commissioned from Willis Towers Watson and carried out during late 2017. The review found that the CIV needed to refresh its governance arrangements and clarify its future direction. It was noted that changes had now been made to improve governance at the CIV. Changes to CIV's client engagement and investment approaches were also part of the consultation process. Borough feedback on a number of these issues remained under consideration by the CIV, although some recommendations such as the development of a Responsible Investment policy had been taken.

5.2 The Chair stressed that the Board's remit was to monitor the effectiveness of the new governance arrangements at CIV London and asked how the performance of CIV investments was monitored. Rachel Cowburn confirmed that the Council received performance reporting data on the parts of CIV London used by it. The Board expressed concern at the high staff turnover at the CIV and asked what measures were in place to address this. The Board considered that CIV had much progress to make and asked that this matter be placed on the agenda for the next meeting and that the Hackney representatives on the CIV be asked to attend that meeting for the discussion.

RESOLVED:

1. To note the report
2. That CIV governance be placed on the agenda for the next meeting and the Hackney representatives on the CIV be invited to attend to discuss progress.

ACTION: Rachel Cowburn

6. Third Party Administration Contract Implementation

6.1 Rachel Cowburn introduced the report. In January 2017 a procurement exercise commenced to identify a provider of Third Party Administration Services for the

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Hackney Pension Fund. The contract was due to commence on 1st January 2018 for a period of 5 years, with potential to extend this for up to a further 3 years. In May 2017 Equiniti, who were the existing third party administrator, were notified that they were successful in being awarded the new contract. Since then, the officer of the Fund, assisted by Aon, have been working with Equiniti to ensure the requirements of the new contract can, and are being met. Julie Stacey reported that there was a good and interactive website. Further, there was now less need for manual intervention and much work was being undertaken on interfaces. The Board noted that officers of the Fund continue to have some concerns about the standard of quality control and automation within Equiniti and in recent months there had been further examples of incorrectly calculated or communicated scheme benefits which had been highlighted to Equiniti.

6.2 The Board expressed concern about the continuing difficulties with the interface between pensions and Payroll, noting the continued failure of Hackney Council to provide timely and accurate pension information to Equiniti which had resulted in continued pressure on the administering authority to try to rectify as much of the data as possible each year. The Board asked that if the difficulties with the interface were not rectified before the next meeting, the Head of Human Resources be invited to attend that meeting to discuss this issue. Julie Stacey told the Board that it was anticipated that there would be improvements next year.

RESOLVED:

1. To note the contents of the report and particularly the improvements the new third party administration contract will provide to the scheme members, employers and Hackney Council in its role as the administering authority to the fund.
2. That if the difficulties with the interface between pensions and payroll is not rectified before the next meeting, the Head of Human Resources be invited to attend that meeting to discuss this issue.

ACTION: Rachel Cowburn

7. Review of Pensions Committee Work - April - September 2018

7.1 Rachel Cowburn introduced the report outlining the work undertaken by the Pensions Committee at its meetings in the period from April to September 2018 and to note items that are relevant to the work of the Pensions Board.

RESOLVED:

To note the report.

8. Compliance with Code of Practice

8.1 Rachel Cowburn introduced the report. From 1st April 2015 the Pensions Regulator assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Board noted that there were two areas where the Fund was failing to meet the requirements of the Code – the issuance of Annual Benefits Statements to active scheme members and monitoring of

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contributions – in this case the incorrect ongoing payment of AVC contributions by an employer to Equiniti. This had resulted in those contributions not being invested in a timely fashion. It was noted that although this related to only one member, the issue would need to be reviewed and processes put in place to prevent recurrence. In response to a question from Kay Brown it was noted that it was hoped that statements would be issued before Christmas. In response to a question from the Chair, Rachel Cowburn confirmed that the Pensions Committee was aware of and concerned about these issues. There were concerns about internal resources in the council and the length of time taken to resolve issues.

8.2 The Chair asked whether the Human Resources Team recognised the work that was necessary to be carried out and stressed that the necessary resources should be available to ensure the production of reliable data. Michael Honeysett told the Board of a restructure in Human Resources and that the Head of Human Resources recognised the need to improve in this area. In relation to incorrect ongoing payment of AVC contributions by the employer to Equiniti Kay Brown asked for reassurance that the employer had taken steps to ensure that this did not occur again. Julie Stacey updated the Board that there had been problems with incorrect coding and that work was ongoing to ensure correct coding. Hackney would be charged for this. The Chair recommended more frequent billing. Julie Stacey confirmed that functionalities were going back to the employer. The Chair asked if the Regulator had been informed of these issues. Rachel Cowburn confirmed that there had been discussions with the Regulator around annual statements in the context of a wider policy and was aware of the concerns.

RESOLVED:

To note the Code of Compliance Checklist for the London Borough of Hackney Pension Fund.

9. Data Improvement Update

9.1 The Board considered an update on progress made on issuing the 2017/18 Annual Benefit Statements to active members of the Fund. The report also covered actions taken to help improve the quality of data provided by the Council as an employer and to cleanse the data currently held on the pension administration system in relation to Hackney Council and schools staff.

RESOLVED:

To note the actions taken to improve data provision from the Council in respect of those employees who are members of the LGPS to the pension administrator.

10. Administration Authority Discretion Policies

10.1 The Board noted the report setting out the discretionary policies for Hackney Council as administering authority for the London Borough of Hackney Pension Fund.

RESOLVED:

To note the amended Administering Authority discretions policies.

11. Pensions Fund Administration Annual Report

11.1 The Board noted the report outlining work undertaken by the London Borough of Hackney and the performance of the pension fund administrators, in regard to the administration of the LGPS Hackney Pension Scheme for the financial year 2017/18.

RESOLVED:

To note the report.

12. Pension Administration Strategy – Draft (PAS) 2019/22

12.1 Julie Stacey introduced the draft Pensions administration strategy for 2019/22, which had been updated to reflect changes to the Fund's third party administration. The draft strategy would be circulated to all employers (including schools) and other interested parties for review and comment by close of business on 9th February 2019. The strategy would be submitted to the Pensions Committee in March 2019. Julie Stacey stressed the need for the employers to be aware of their role and responsibilities. Help and support was available to employers with an annual employer's forum. A '5 strikes' rule was in place for incidents of non-compliance. The Board agreed that this should be reduced to '3 strikes.' The Board asked for updates on the implementation of the strategy. It asked for re-submission of the draft strategy if there are changes to it following consultation.

RESOLVED:

1. To note the updated Pension Administration Strategy to be issued for consultation with employers and other interested parties.
2. To note the change in the review period of the Pension Administration Strategy from annually to every years, notwithstanding the requirement to review and amend when regulations change.
3. That updates on the implementation of the strategy be sent to Board members.

ACTION: Rachel Cowburn

13. Training Needs Self-Assessment and Analysis

13.1 Training needs self-assessment and analysis was discussed under item 4 on the agenda.

RESOLVED:

1. To note the report
2. That members individually complete and return the Training Needs Self-Assessment questionnaire by 31st January 2019.

14. Pensions Board Work Schedule

14.1 The Board considered the Pensions Board work schedule.

RESOLVED:

To note the Pensions Board work programme.

15. Any other business - GMP Reconciliation

15.2 In response to Board questions it was noted the Fund's administration data was being checked against and HMRCs records. The Board noted that a report would be made to the next meeting of the Board.

Duration of the meeting: 10:00am -12:00noon