

MINUTES OF A MEETING OF THE PENSIONS BOARD

WEDNESDAY, 20TH MARCH, 2019

Board Members Present: Samantha Lloyd (Scheme Member) (Chair)
Kay Brown (Employer Representative)
Michael Hartney (Employer Representative)

Officers in Attendance: Michael Honeysett, Rachel Cowburn, Karen Chenery, Peter Gray

Also in Attendance: Councillor Robert Chapman (Observer)

1 Apologies for absence

1.2 Apologies for absence submitted on behalf of Henry Colthurst.

2 Declarations of Interests - Members to declare as appropriate

2.1 There were no declarations of interest.

3 Minutes of the previous meeting

3.1 The Minutes of the meeting held on 29th November were agreed as a correct record, subject to amending to reflect that there was no impact on CPC contributions.

Matters Arising

3.1.2 It was agreed that future agendas for Board meetings be agreed with the Chair of the Board.

3.1.2 Rachel Cowburn told the Board that the process for making appointments to the Board and the Pensions Committee would soon be underway, with interviews in May this year. Other appointments were being planned for October.

3.1.3 The previous meeting of the Board asked for the 'London Pensions Collective Investment Vehicle' governance arrangements to be on the agenda for the present meeting, following concerns around the effectiveness of its governance arrangements. The Chair asked for an update on these arrangements and the direction the organisation was taking. She referred to the current disconnect as a result of how the organisation was set up and the removal of investment choice and the need for fund managers that met current needs. Further, it was considered that the Stakeholder group should set a strategy on taking 'early pension'. Councillor Rob Chapman, Hackney's representative on the CIV, referred to cultural difficulties at the organisation, with insufficient transparency and problems around the nature of its surrounding legislation. He told the Board that the governance arrangements had recently been reviewed and outlined arrangements in place. A new Chief Executive had been appointed by the Board with stakeholder involvement and it was hoped to

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have an open collaborative approach going forward, with engagement with stakeholders having started. Rachel Cowburn told the Board that the government had issued new asset pooling guidelines and that the response would outline in clear terms that a choice of investments continued to be necessary. Further, proposals to set up a Sub Fund had also been circulated, asking for comment.

3.1.4 Kay Brown raised the concern of high turnover of staff at the London CIV and the need to ensure that the correct direction of travel was followed with proper support to the new Chief Executive. Michael Honeysett stressed the importance of the role of Chief Executive in driving consultation and for the CIV to engage early. Councillor Chapman told the Board that members would be discussing these and other matters with the Chief Executive. It was agreed to place this matter on the agenda for the next meeting of the Board and that Councillor Chapman be invited to attend.

RESOLVED:

That CIV Governance arrangements be placed on the agenda for the next meeting of the Board and that Councillor Chapman be invited to attend.

Action: Rachel Cowburn

4 Data Improvement Update

4.1 Rachel Cowburn presented the report introducing a new format for the Pension Fund Risk Register, which summarised potential significant risks to which the Fund was exposed and the controls in place to manage those risks. The report also introduced an update to the Fund's Risk Policy, which was approved by the Pensions Committee in December 2018.

4.2 Rachel Cowburn told the Board in terms of consultation times, Midland had much improved and that a core of minor issues had been addressed. The previous difficulties around the interface between Pensions and Payroll had been resolved. Since this resolution of the underlying issues with the database environment, final testing on the report had progressed, with the majority of issues identified during previous tests now resolved. A large number of exceptions had been produced. Extensive work was likely to be required during 2019 to address historic data issues. Pensions' administration had carried out much work on numbers of members. In response to the chairs questions It was confirmed that much data cleansing had been carried out, including for new joiners and that there was confidence in the accuracy of the process. Work was ongoing on uploading reports and these would go on member records. The Chair asked if Hackney had the correct processes in place. Michael Honeysett confirmed that tests were currently being carried out. It was confirmed that Pensions Administration would be recompensed for work in this regard. The Committee asked for a report back to the next meeting on progress on the issuing of pension statements.

RESOLVED:

1. To note the actions taken to improve data provision from the Council, in respect of those employees who are members of the LGPS.
2. That an update on the progress of the issuing of pension's statements be made to the next meeting of the Board.

ACTION: Rachel Cowburn

5 Pensions Fund - Risk Register Review and Policy

5.1 Rachel Cowburn presented the new format for the Pension Fund Risk Register following concerns expressed by the Board about its length and detail. The Register summarised potential significant risks to which the Fund was exposed and the controls in place to manage those risks. The report also introduced an update to the Fund's Risk Policy, which was approved by the Pensions Committee in December 2018. The Chair referred to risks in governance, with Rachel Cowburn's response that most of the risk was in the area of administrative work. It was noted that there was a move towards pooling to lessen the risk. The risk register would be submitted to every meeting of the Board.

RESOLVED:

1. To note the updates to the format of the risk register
2. To note the updated risk policy
3. To agree the provision of a high level risk summary at each meeting, with periodic (no less than triennial) review of the full underlying register

6 Review of Pensions Committee Work - October 2018 - March 2019

6.1 Rachel Cowburn introduced the report on the work undertaken by the Pensions Committee at its meetings in the period from October 2018 to February 2019 and to note items that are relevant to the work of the Pension Board. It also included a forward look at the upcoming work of the Committee during 2019.

6.2 Councillor Rob Chapman told the Board that work was underway to transfer the private debt mandate, the amount being 160m. He told the Board that the council was in the last stages of negotiating investments,

RESOLVED:

To note the report

7 Pensions Fund Admissions Policy - Admitted Bodies (2019)

7.1 Rachel Cowburn introduced an update to the Pension Fund Admissions Policy. The Policy was concerned with the admission of new employers to the Fund when external contractors take on staff who are members, or eligible to be members, of the LGPS under a TUPE arrangement. The Board reviewed the admissions policy, employer admissions to the Fund (2019) prior to approval by the Pensions Committee.

7.2 Rachel Cowburn told the Board that this had been an unexpected legislative change. The LGPS regulations 2013 now provided for the payment of the Exit Credit by the administering authority to a ceasing employer of the Fund. Where a ceasing employer's liabilities are fully funded and there is surplus of assets in the Fund relating to that employer, an exit credit must be paid by the administering authority to an

exiting employer. This had significant implications for both the Fund and employers, particularly where risk-sharing arrangements are in place.

8 Compliance with Code of Practice

8.1 Rachel Cowburn introduced the report informing the Board that from 1st April 2015 the Pensions Regulator had assumed responsibility for public service pension scheme 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 the Code of Practice for Public Service Pension Schemes came into force from 1st April and all schemes must now consider whether they comply with the scheme. Rachel Cowburn referred to the fact that a good reconciliation process was now in place.

8.2 The chair referred to the fact that an improvement was required in the area of training for members of the Board. Rachel Cowburn agreed to re-circulate the training needs analysis and the Pensions Regulation Checklist.

ACTION: Rachel Cowburn

RESOLVED:

To note the Code of Compliance Checklist and areas where further work was required and being undertaken.

9 GMP Reconciliation Update

9.1 Rachel Cowburn introduced the report providing the Pensions Board with an update on the Fund's GMP reconciliation (Guaranteed Minimum Pensions) exercise, which was being undertaken to ensure that scheme member records for periods spent contracted out of the second state pension are properly accounted for. The report provided an update on the progress of Phase 2 of the reconciliation exercise and outlined factors for considering and agreeing an increase in the budget to complete Phase 2, and to consider the proposal and budget for beginning the next phase of the project, Phase 3a – Certification & Reconciliation (initial stage). In response to the Chair it was confirmed that the GMP reconciliation was a cost borne by the fund. In response to Michael Hartney it was confirmed that the DWP would be notified of the reconciliation.

RESOLVED:

To note the report.

10 Pension Fund Actuarial Valuation 2019 - Introduction

10.1 Rachel Cowburn presented the report providing an introduction to the 2019 valuation process and set out an indicative timetable. The report covered measures discussed with the Fund actuary to address potential timetabling issues resulting from later data provision and summarised the latest developments with regards to the use of the LGPS Scheme Advisory Board and Treasury Cost Cap mechanisms.

RESOLVED:

To note the report

11 Any Other Business

11.1 There was no other business

Duration of the meeting: 10am - 11:30pm