

DRAFT

MINUTES OF THE PENSIONS BOARD

14TH NOVEMBER 2020 AT 10:00AM

REMOTE MEETING

Members Present:	Samantha Lloyd (Chair) Michael Hartney Hugo Sparks
Officers:	Jackie Moylan (Director - Financial Management) Michael Honeysett (Interim Head of Pensions) Peter Gray (Governance Officer)
In Attendance:	Catherine Pearce - Aon

1. APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

2. DECLARATIONS OF INTEREST

2.2 There were no declarations of interest.

3. TRAINING - 95K EXIT CAP REGULATIONS

3.1 Catherine Pearce reported to the Board on the 95K Exit Cap regulations 2020 intended to impose a 95K cap on exit payments to employees in the public sector. Under the regulations, pension strain costs must be counted within the cap. Councils could be faced with an obligation under LGPS rules to make a pension strain payment which exceeds 95k to LGPS Fund members to cover the cost of early retirement on redundancy, but at the same time prevented by the Exit Pay Cap Regulations from making the payment. It was considered that the matter would be open to legal challenge. The LGA and various organisations were raising concerns with MHCLG. The regulations had been approved by Parliament but it was not clear when they were to come into force.

3.2 Michael Hartney asked for an update on Hackney's position in regard to the regulations. Michael Honeysett reported to the Board that the Council

currently had one member affected by the regulations due to be made redundant in June 2021. Restructures were in the pipeline.

3.3 The Board referred to the complexity of the regulations and the uncertainty caused to public sector employers and employees, stressing the need for early resolution. It was concerned that the regulations also negatively affected lower paid, long term staff.

4. PENSIONS TEAM STAFF CHANGES

4.1 Michael Honeysett introduced the report providing an update to the Pensions Board regarding staffing issues specifically related to the in-house Pensions Team, given a relatively high level of turnover in recent months . A consistent team going forward was in place to undertake the necessary work.

4.2 The Chair asked for clarification on staff charging arrangements. Michael Honeysett told the Board that those for the employer role are charged to the general fund. The Pensions Admin team was largely charged to the Pensions Fund. The Head of Pensions was charged 75/25 to the Pension Fund/ Non Pension Fund. Work was ongoing to ensure that the recharges reflect the new structure.

4.3 Michael Hartney asked about inhouse ability to deal with GMP and upcoming pension complexities. Michael Honeysett told the Board that work on GMP was nearing its end, led by Equiniti and the inhouse administration team. The aim was for a February implementation. Jackie Moylan told the Board that it had been possible to maintain a lot of continuity throughout the change process, in particular with the appointment of Michael Honeysett as interim Head of Pensions.

RESOLVED:

To note the revised structure of the Pensions Team and interim staffing arrangements and the assurance regarding ongoing cover on the team.

5. REVIEW OF THE WORK OF THE PENSIONS COMMITTEE - APRIL - SEPTEMBER 2020

5.1 Michael Honeysett introduced the report on the work undertaken by the Pensions Committee at its meetings in the period April 2020 to September 2020 and to note items that are relevant to the work of the Pension Board. The report also included a forward look at the upcoming work of the Committee during 2020/ 21.

5.2 The Chair asked for clarification in relation to the revised governance consultancy framework. Catherine Pearce told the Board that when the Council last let the governance contract it used a framework that was set up by the Norfolk Pension Fund, run on behalf of all the LGPS funds. The framework existed to ensure that provider competitions are run in the most effective and efficient way. The updated framework referred to the original actuarial benefits framework set up in 2012. This was refreshed into a new framework in 2016

and was due to be refreshed again in 2020, slightly delayed because of the COVID-19. The intention was that a new framework would be up and running next year.

5.3 Michael Honeysett reported on the work of the Pensions Committee in June and September 2020. There had also been a workshop in July on the development of the investment strategy, for future committee consideration. The June Pensions Committee started the review of the investment strategy timetable and received an update on the impact of COVID-19. There was an update on overall funding and investment strategy at that stage. Markets had recovered by the time of the meeting. Quarterly reports were submitted to June and September meetings and it was clear Equiniti was experiencing performance difficulties arising from COVID 19, with staff working from home for the first time. The work output had much improved by the September meeting. Council staff had the necessary infrastructure in place for working at home during that time.

The September Committee received an update on staffing arrangements with training on the investment strategy. The Pensions Administration Strategy was formally agreed at this meeting. The Pensions Fund had been noted by the Committee. The audit was not yet completed. Michael Honeysett told the Board that finalising the Investment Strategy together with other policy initiatives would be the focus over the next two meetings.

5.4 Michael Hartney asked for an update on the CIV and the appointment of the Chief Investment Officer. Michael Honeysett told the Board that the officer had been appointed and he would inform the Board of whether the appointment was on interim basis. A Chief Executive had been appointed and engagement and coordination with Boroughs had improved.

5.5 The Chair asked if there were emerging findings on the Hackney Pensions Fund Investment Strategy. Michael Honeysett reported that there were considerations around reducing reliance on Equiniti and the UK market, moving more to a global environment to develop diversification. A funding gap continued to exist although this was not as high as it was. Consideration was also given to managing cash flow as the cash flow was not as positive as previously with some reduction in membership. There was the possibility of a new class of assets being renewable infrastructure, continuing and expanding work on the responsible investment strategy.

RESOLVED:

1. To note the report.
2. That an invite to the next Pensions Committee meeting be sent to members.

Action: [Peter Gray](#)

6. Pensions Fund Business Plan 2020-2034

6.1 Michael Honeysett introduced the Pensions Fund Business Plan for 2020-2034 as approved by the Pensions Committee in September 2020. The Plan set out the key tasks the Fund needed to undertake to fulfil its strategic

objectives for the next three years together with a draft plan for the Pensions Committee and communications plan for the current financial year 2020-21. Projects included around McCloud and GMP and the Pensions data service.

6.2 Hugo Sparks asked if longer term plans were formulated given the longevity of the funds. Michael Honeysett said that the approach focused on looking in detail at the coming three years which was considered to be a realistic and manageable time scale although this was rolled forward on an annual basis. The investment and funding strategy had a more longer term focus.

RESOLVED:

To note the Fund's Approved Business Plan for 2020/2023

7. Data Improvement Update

7.1 Michael Honeysett introduced the report providing an update on the Fund's ongoing project to improve both the quality of membership data and its timescales for issuing annual benefits statements to members. The report covered actions taken to help improve in the longer term the quality of data provided by the Council as an employer and to cleanse the data currently held in the pension administration system in relation to Hackney Council and Schools. Michael Honeysett referred to the difficulties with data provision and Annual Benefits Statements.

- 407 members had been identified as having passed their natural retirement date and they had now been informed that they should bring their pensions to payment. Responses for 101 members were outstanding and these were to be pursued
- In 2019/20 there was a vast improvement in the numbers of statements sent out on time but not all had been issued by 31st August, due in part to COVID-19. In relation to active members two thirds were sent out on time
- By September all but 200 of the active statements had been sent out
- In relation to deferred members, 7500 were issued with 136 not issued. A tracing exercise would be carried out over the coming months to trace addresses.
- 136 deferred member statements were not sent out on time.

7.1 Work was ongoing with Equiniti to improve on the timely issue of statements. [Michael Honeysett](#) told the Board of next steps to be carried out, including on the interface with payroll. The previous method being developed was becoming too complex - running seven reports every month which needed to be uploaded and reconciled. It was noted that a different approach was now being taken by a project team to resolve this issue and that this was progressing well with the scoping almost complete and a trial run before Christmas. The aim was to have this up and running by April 2021 providing the annual data required for production of the ABS statements.

7.3 Hugo Sparks expressed concern at the high percentage of active members' statements not being issued and the need for data cleansing for deferred members, asking about steps being taken by Equiniti to improve on performance in relation to the issuing of Annual Benefits Statements. Michael Honeysett reported that 'lessons learned' by Equiniti were awaited. Equiniti was considering the removal of manual processes, considering issues around calculations, ensuring that complex cases are picked up earlier.

7.4 Michael Hartney referred to significant numbers of members over retirement age and whether steps were being taken in relation to mortality tracing. Michael Honeysett reported that there were regular exercises into proving that individual members are still alive. The Chair asked if back pay was accrued for the individuals involved. Catherine Pearce confirmed that they would receive arrears after the age of 60 with payment of interest. The Chair asked if this was included in the accounts and [Michael Honeysett](#) agreed to check.

Action: Michael Honeysett

RESOLVED:

To note the actions taken to improve the data provision from the Council and maintained schools and to improve the quality of data held on the administration system.

8. Major Projects GMP Rectification and McCloud

8.1 [Michael Honeysett](#) updated the Board on the Funds' major projects relating to the GMP rectification and McCloud remedy. Both projects were being undertaken by the in house Pensions Administration team alongside the third party administrators. The Council was on target to make adjustments to pensions in February 2021 and details of those members affected would be reported to the March Board meeting.

Action: Michael Honeysett

A policy report on over and under payments would be presented to the Pensions Committee in January 2021 for approval.

8.2 Catherine Pearce undated the Board on McCloud. Aon's role was to provide the project management with the bulk of the work carried out by Equiti and the Council's Pensions team. Programme management documents had been put in place with work divided into workstreams with data and communication workstreams underway while others awaited the outcome of the consultation on draft changes to allow McCloud to take place. Employers had been given until the end of January in respect of requested data.

RESOLVED:

To note the report.

8. Pensions Board Work Plan 2020/21

Wednesday, 14th November, 2020

8.1 Michael Honeysett introduced the report providing an indicative work plan for the Pensions Board for 2020-21. Michael Hartney told the Board that it was anticipated that there would be updates towards the end of the year on data and suggested a training session be provided on this.

RESOLVED:

To agree the indicative work plan for the Board for 2020-23

9. ANY OTHER BUSINESS THAT IN THE OPTION OF OF THE CHAIR IS URGENT

9.1 There was no urgent business

Duration of the meeting: 10:00 - 11:30
Chair at the meeting on Wednesday, 14 November 2020

a)

b)

Wednesday, 14th November, 2020