

DRAFT

MINUTES OF THE PENSIONS BOARD

17TH MARCH 2021

THE MEETING WAS HELD REMOTELY

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**

2.1 There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

To agree the minutes of the previous meeting as a correct record.

Matters arising

(i) **Data improvement Update**

Michael Honeysett would check whether back pay payable was reflected in the financial accounts.

Action: Michael Honeysett

4. **TRAINING - RISK**

4. Catherine Pearce presented to the on risk management, highlighting the following:

- The need for effective risk management
- CIPFA LGPS guidance - Risk management cycle
- The range of risks
- Pensions fund has own risk register
- The need to control and manage risk
- Hackney Fund Risk Policy
- Risk policy - not desirable to eliminate all risks
- Hackney risk register
- Hackney PF Risk register - 2020 Updates

5. PENSIONS FUND - RISK REGISTER

5.1 Michael Honeysett introduced the report updating the Pensions Board on the Pension Fund Risk Register, which set out the key risks to which the Fund is exposed and which the Board, in its oversight role, should be aware of. The register also detailed the controls in place to manage these risks and further actions that were planned to reduce the impact and likelihood of them occurring.

5.2 Catherine Pearce told the Board that four of the categories were now high risk. Seven categories were amber and would be green if targets were met. Nine categories were amber, meeting the targets. Four risks were green. 'External factors' was moved to red, partly due to McCloud but also because of the implications of the exit cap. The exit cap regulations had now been revoked due to unintended consequences. It was anticipated that these regulations would be revisited and it was hoped that all necessary legislation would be put in place at that time.

5.3 Michael Honeysett referred to the four red risks within the register, the first of which was reliance on external systems, which could give rise to issues, particularly given the Cyber attack. The Pensions system was external and was not affected by the Cyber attack but access to records within the Council was negatively impacted. Poor membership data was a red risk and the need to provide members with accurate benefits statements was stressed. Michael Honeysett reported that the interface between payroll and the pensions system was nearing completion with a test file that was now being reconciled, ensuring that contributions were picked up correctly. There was to be a further version of that report containing all other necessary details, including start and leave dates. The Council was now in a better position to improve the membership data.

5.4 The Chair expressed concern that 'membership data' was still a red risk. Michael Hartney asked whether, in light of the fact that the membership portal was to be up and running, whether the 'poor member engagement' risk could be changed from amber to green. Michael Honeysett told the Board that the improved portal should ensure that systems are more effective, moving to a green risk.

RESOLVED:

- To note the report

6. REVIEW OF THE WORK OF THE PENSIONS COMMITTEE

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6.1 Michael Honeysett introduced the report on the work undertaken by the Pensions Committee at its meetings in the period October 2020 to March 2021 and to note items that were 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.

6.2 Michael Honeysett told the Board that much of the focus of the meetings was on revising the investment strategy, reducing exposure to equities overall and particularly UK equities, moving to more global, sustainable and low carbon, ensuring the pooling agenda by moving more assets across to mandates that were suitable and were managed through the London CIV. The focus at the January meeting was to make decisions around asset allocations and at the March meeting on the implementation, alongside an overall review of other policies and governance processes, including considering the stewardship code and climate reporting.

6.3 The Chair asked for an update on the performance of the Fund. Michael Honeysett told the Board that the current level of assets had increased from £1.5b to approximately £1.7b. In relation to the funding level there had been a dip at the beginning of the Pandemic but this had now returned to 92%. The actuary considered that the assumptions made in relation to the fund were still valid.

RESOLVED:

- To note the report.

7. PENSIONS FUND BUSINESS PLAN - 2021

7.1 Michael Honeysett introduced the Pension Fund Business Plan for the period covering 2021/22 to 2023/24 for review by the Pensions Board. The business plan set out the key tasks the Fund needed to fulfil its strategic objectives for the next three years. It also included the proposed budget for 2021/22, a draft plan of work for the Pensions Committee and communications plan for the financial year 2021/22.

7.2 Michael Honeysett told the Board that the fund included the budget for 2021/22 which showed that it was expected that the fund would remain cash positive - important for the investment strategy. A procurement timetable for service tenders was due later in 2021. The custodian contract had been extended for a maximum of a further year with a tender on the new LPGS framework to follow Immediately.

7.3 Michael Hartney asked about any proposal to increase the frequency of meetings of the Board to four a year. Michael Honeysett told the Board that two meetings a year fulfilled the statutory requirement. A report back would be made to the next meeting of the Board on frequency of meetings.

Action: Michael Honeysett

RESOLVED:

- To note the Pensions Fund Business Plan for 2021/22 to 2023/24 including the 2021/22 budget.

8, MAJOR PROJECTS - GMP RECTIFICATION AND MCCLOUD

8.1 Michael Honeysett introduced the report providing the Board with an update on the Fund's major projects relating to the GMP rectification and the McCloud project. Both were important projects being undertaken by the in-house Pensions Administration team alongside the third party administrators, Equiniti, the Council's Governance & Benefits Consultants, Aon and the actuary, Hymans Robertson.

8.2 Michael Honeysett told the Board that all the necessary work had taken place in order to reconcile the Pensions Fund to ensure pensions were correct. Rectification of over and underpayments was to be processed, however Equiniti had felt that March/April was not an appropriate time as it coincided with Pension increases going on the Pensions System, with potential for causing confusion. It was agreed that the rectification of over and underpayments would take place in the new financial year. This gave more time to communicate with pensioners, particularly where they were overpaid.

8.3 Michael Honeysett told the Board that the project on McCloud was ongoing with focus on data collection to check on impact. There was a potential issue with some of the Council's data because of the Cyber attack and the move to a new payroll provider. McCloud required the review of data back to 2014, however the file was not currently available. Alternative arrangements were being considered to bring back this data between 2014 and 2017. The impact of McCloud had been reviewed and individual employers were to be contacted on the potential impact. The Actuary had concluded that the estimate made at the triennial valuation was adequate and there would not be any further impact on the funding. Fourteen employers would not be affected because they had no employees that met the criteria for McCloud remedies. For others the liabilities would move by 0.2 to 1%. In relation to data, an interface was implemented to highlight exceptions with a more robust system on pensions data.

RESOLVED:

- To note the report and the status of the projects

9. UNDER/OVER PAYMENT POLICY

9.1 Michael Honeysett introduced the the report providing the Pensions Board with the approved Policy on the Overpayment and Underpayment of Pension Scheme Benefits and Contributions for reference. It also provided an update on the Guaranteed Minimum Pension (GMP) reconciliation exercise and the treatment of pension payments that had been impacted by the reconciliation exercise.

9.2 Michael Honeysett told the Board that the Pensions Committee had agreed an Over and Underpayment Policy, driven by the need to have a

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consistent policy. The GMP reconciliation process had now been completed with Equiniti finalising the calculations. There were 621 cases discovered where there were overpayments which totaled 2.5m. The Pensions Committee decided that the Council would not be seeking refund of the overpayments but would correct pensions going forward. The Actuary confirmed that this would have no impact on the funding level. There would be an annual saving from reduced pensions of £255K to the Pensions Fund. 130 pensions would be increasing with a cost of £35K. Overall GMP reconciliation will see a net saving per annum of 220K. The average decrease in pensions was £400 per annum with a larger amount of £600. Cases with high sums were being reviewed to ensure that the calculations were correct. Michael Honeysett stressed the need for sensitive communication with older people in relation to their pensions. All over payments for deceased pensioners were to be written off.

9.3 Michael Honeysett told the Board that the Over and Underpayment Policy was designed to ensure that the funds' approach to correcting and managing overpayments was formalised for all employers.

9.4 Michael Hartney asked if the infrastructure was in place to deal with any complaints as quickly and effectively as possible for pensioners. Michael Honeysett told the Board that a complaints procedure was in place. Complaints were submitted to Equiniti in the first instance with the inhouse team being aware of these. Particular care would be taken in communication with elderly pensioners. Hugo Sparks suggested the introduction of vulnerable members procedures.

RESOLVED:

1. To note the approved Policy on the Overpayment and Underpayment of Pension Scheme Benefits and Contributions at Appendix 1
2. To note the agreed recommendations in relation to the GMP reconciliation project, as follows:
 - all overpayments to be written off including those relating to deceased pensioners
 - underpaid pension for deceased pensioners will not generally be calculated or paid but will be considered on their own merits at a related individual's request
 - underpaid pensions for dependants will only be calculated in respect of the dependants own benefit and will not take account of the deceased person's potential pensions adjustments
 - adjustments will not be made for any pensions where the change is less than £5 p.a.
 - points of detail in relation to how the changes are implemented have been delegated to the Pensions Manager to decide.

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

10.1 There was no urgent business

Duration of the meeting: 10:00 - 11:30

Chair at the meeting on
Wednesday, 17 March 2021

a)

b)