

Pensions Board

Agenda

Tuesday 7 February 2017

7.00 pm

Committee Room 3 - Hammersmith Town Hall

MEMBERSHIP

Employer Representatives
Councillor Ali Hashem Councillor Rory Vaughan Richard Gregg
Scheme Member Representatives
Eric Kersey Orin Miller Neil Newton

CONTACT OFFICER:

Amrita Gill
Assistant Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2094
E-mail: amrita.gill@lbhf.gov.uk

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Date Issued: 30 January 2017

Pensions Board Agenda

7 February 2017

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1.	MINUTES OF THE PREVIOUS MEETING	1 - 6
	To agree the minutes of the meeting held on 14 September 2016 as an accurate record and note any actions.	
2.	APOLOGIES FOR ABSENCE	
3.	DECLARATIONS OF INTEREST	
	If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.	
	At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.	
	Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.	
	Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.	
4.	MINUTES OF PENSIONS SUB COMMITTEE	7 - 19
	Minutes of the Pensions Sub Committee meetings held on 21 September 2016 and 30 November 2016.	
5.	ACTUARIAL VALUATION	
	Update report from Graeme Muir of Barnett Waddingham (to be circulated at the meeting).	

6.	PENSION ADMINISTRATION UPDATE	20 - 22
	Update report from the Director of Human Resources.	
7.	PENSION ADMINISTRATION STRATEGY	23 - 36
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8.	RISK REGISTER	37 - 50
	Update report from Pensions Shared Accountancy Services.	

London Borough of Hammersmith & Fulham

Pensions Board Minutes



14 September 2016

PRESENT

Employer representatives: Councillors Ali Hashem (Chair), Rory Vaughan and Mr Richard Gregg

Scheme Member representatives: Mr Eric Kersey and Mr Neil Newton

Officers: Nicola Webb, George Bruce, David Coates, and Kayode Adewumi

1. APOLOGIES FOR ABSENCE

Apologies for absence and lateness were received from Orin Miller and Councillor Ali Hashem respectively.

2. APPOINTMENT OF CHAIR

In the absence of the Chair and Vice Chair, the Board appointed Councillor Rory Vaughan as the Chair until the arrival of Councillor Ali Hashem.

3. MINUTES OF THE MEETING HELD ON 23 FEBRUARY 2016

The minutes of the meeting held on 23 February 2016 were agreed as a correct record and signed by the Chair subject to the inclusion of Eric Kersey as present and the deletion of Orin Miller from the list of people present.

Unclaimed Pensions

The Board expressed concern about the number of people who were due a pension but had not come forward to claim it. Officers explained that Surrey County Council were aware of 226 cases dating back to 2011, with a small number earlier than this date. A meeting will be held in September with Surrey County Council to prioritise the cases and agree a timescale to resolve them. The aim was to resolve them within a year.

Capita was aware of the cases and had attempted to contact the individuals. In some cases, they had not received satisfactory documented evidence and abandoned the pursuance of the claim. The Council had agreed additional resource – two full time posts to undertake this task and other historical backlog tasks inherited from Capita and will pursue Capita to recover the costs where it is clear that Capita did not fulfil their obligations under the contract.

RESOLVED

- To recommend to the Pensions Sub-Committee that Capita must be pursued for the full recovery of any additional cost incurred to resolve this issue where it is clear that the inherited backlog of work was caused by Capita's failure to fulfil their obligations under the contract.
- That an update be submitted to the Board in February 2017.

Action – David Coates

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES OF THE PENSIONS SUB COMMITTEE MEETING HELD ON 22 MARCH 2016

The minutes of the Pensions Sub-Committee meeting held on 22 March 2016 were noted.

6. MINUTES OF THE PENSIONS SUB COMMITTEE MEETING HELD ON 22 JUNE 2016

The minutes of the Pensions Sub-Committee meeting held on 22 June 2016 were noted.

Update on Performance of Surrey County Council Pensions Administration Service

The Board was informed that when Surrey County Council ran an exceptions report in September 2015 on the data inherited from Capita some other issues were identified related to spouse pensions data, non-related beneficiaries, deferred members and others. There are approximately 450 historical cases unresolved by Capita at the point of transfer. 50 of these have been resolved with an expectation of the rest being concluded in 12 months. Officers noted that an update report had been submitted to the Pensions Sub Committee. High priority was given to the deferred pensioner cases which should have been put into payment.

Surrey County Council has made progress on a number of areas connected to service provision and data cleansing but we all recognise that further work is required.

RESOLVED

- To recommend to the Pensions Sub-Committee that Capita should be pursued to pay for the additional resources to rectify these issues where they were part of their contract. The fund must not be worst off as a result of Capita not doing its job properly.
- That a breakdown of the type of outstanding cases, issues and how long they have been outstanding be submitted to the next meeting.

7. PENSION FUND ANNUAL REPORT AND AUDIT

Nicola Webb informed the Board that the Pension Fund accounts were prepared and audited alongside the Council's accounts each year. The external auditor, KPMG, annually presents their findings in September to the Council. The Board welcomed Antony Smith, the Audit Manager for the Pension Fund audit, from KPMG to the meeting. The auditor explained their approach and highlighted their key findings. The auditors are continuing work on the following areas within the Pension Fund:

Membership data

There were some discrepancies in this data due to the quality of data inherited from Capita to Surrey County Council and a delay in the reporting of starters and leavers from BT to Surrey County Council. Additional audit testing was required. There is now a plan in place to obtain a complete and accurate position. Better interface between BT managed services and Surrey County Council, and monthly reconciliation will improve the position. Thereafter, the auditor is expected to recommend that an assurance review should be undertaken.

Valuation of non-quoted investments

The Fund had a higher value of investments (levels 2 and 3) than in previous years which were not quoted on recognised stock exchanges due to the changes made to the investment strategy in the last 18 months. Additional audit work was carried out to verify the valuations. The Board queried why a further valuation was required after a valuation had been undertaken by the Council's actuaries and Investment adviser. It was noted that it was a regulatory requirement for the external auditors to confirm the valuations.

The Board was informed that if all the issues were resolved, the accounts will be unqualified. However, there could be a recommendation regarding the membership data.

The Board noted the proliferation of external payroll service providers in H&F. It asked had there been any lessons learnt from the Capita/ BT managed service experience. Officers noted that there are more payroll providers in HF due to schools opting out of BT managed services contract. A seminar was held with employers in February 2016 reminding them of their responsibilities. 100% end of year returns had been received which was very encouraging. A further employers' seminar will take place in February/March 2017. Employers will also be able to access a comprehensive suite of information via the website.

RESOLVED

That the report be noted.

8. PENSION BOARD ANNUAL REVIEW OF ACTIVITIES

The Board received and considered a report which summarised its work undertaken over the last 12 months.

RESOLVED

That the annual report of activities be approved for submission to Pensions Sub-Committee and Full Council.

9. PENSION FUND RISK REGISTER

The Board considered a report presenting the latest version of the risk register with recent changes to both investment and administration risks. It was noted that most of the risk were very low, low or medium. The Board recognised that the consideration of a risk register was a reflection of good governance and part of its role to ensure that risk was managed well.

The Board enquired who determined the level of risk and what was the trigger for a risk item to be included on the register. George Bruce explained that the additions were a matter of professional judgement of the likelihood of them occurring. The register was a working document subject to the review of the Board and Pension Sub Committee. Either group can add or remove an item from the register.

In response to a question, the Board was informed that employer contribution rates were set by the actuaries. At the time of the last actuarial valuation as at 31st March 2013, most of the Admitted bodies were in surplus. Only a few bodies were in deficit. If a body was a high risk employer, a shorter period of recovery would be determined to reduce the deficit quicker.

It was reported that the bond review had taken place. Officers were chasing the renewal of 3 bonds which had expired.

The Board asked if there was any data on the opt out rate and the take up of 50:50. Also was there any impact on the flow of funds into the fund? Officers reported that the opt out rate was about 50% with 20 – 30 people opting for 50:50. The impact on the fund was not huge.

RESOLVED

That the report be noted.

10. COMMUNICATIONS POLICY UPDATE

The Board was informed that the Local Government Pension Scheme (Administration) Regulations 2008, regulation 67 requires Administering Authorities to prepare, publish and maintain a policy statement setting out its strategy for engaging with Scheme Members, Members' Representatives, Prospective members and Employers participating in the Fund. The Communications Policy Statement rests with the Council. The Board considered the revised version of the Communication Policy Statement.

David Coates drew the Board's attention to the communication types, frequency of issue and communication methods highlighted in the policy statement. In response to a question, it was explained that the cost of the communication was covered by existing running costs, part of the Administrator's charge, internal budgets and the Pensions fund. It was suggested that communications with the prospective and

retired members should be improved. Officers agreed to take on board the suggestion that relevant and interesting information for retired members such as what is a pension deficit and how does it affect you, pension annual increases should be included in the next newsletter.

The Board asked for statistics on roadshows and personal discussions to measure how many and how well they were received. It was noted that bi monthly drop in sessions will be reinstated by April 2017 and roadshows by June 2017. Subject to approval by the Pensions Sub-Committee, there was the intention to hold an AGM in March/April 2017 as part of the engagement process.

The following further information was also requested:- Annual KPIs for the Administrator, movements within the fund and number of members – leavers, joiners, active members, retired, deferred etc. and number of opt outs.

Action: David Coates

RESOLVED

That the revised version of the Communication Policy Statement be approved and the comments made be submitted to the Pensions Sub-Committee to be held on 21 September 2016.

11. KNOWLEDGE AND SKILLS REVIEW

This Board received a report which summarised the training provided to date, the areas most board members had highlighted for future training via self-assessments of their current level of pensions knowledge and skills and proposes a modular programme to address the training needs.

David Coates reported that the forms returned showed that the main areas members identified for further training were:

- Pensions accounting and auditing standards
- Financial Services procurement
- Investment performance and risk management
- Financial markets and products knowledge

A modular training programme had been drafted to meet the needs of Pension Board and Pension Sub Committee members as follows:

Module 1 (which most delegates have already attended)

- Pensions Legislation and Pensions governance

Module 2

- Pensions Administration
- Pensions accounting & auditing standards
- Actuarial methods, standards and practices

Module 3

- Financial markets and products knowledge (including understanding of the importance of the investment strategy)

- Procurement and relationship management
- Investment performance & risk management

It was reported that the modular training programme could be run as a single borough initiative or in collaboration with other boroughs. Collaboration with other boroughs would reduce the potential costs and would create more choice of the event dates and times where each module could be run. The single borough option would allow a greater local council focus.

The Board noted that the modules were practical and collaboration with other authorities would facilitate an exchange of ideas, best practice and reduce cost.

RESOLVED

- That the training requirements be noted.
- That the modular programme of future training be approved.
- That the officers identify the options where collaboration is best suited.
- That dates for Module 2 and 3 be scheduled before January and April 2017 respectively.

12. DATE OF NEXT MEETING

The next meeting will be held on Tuesday 7 February 2017 in Hammersmith Town Hall.

Meeting started: 7.00 pm
Meeting ended: 8.45 pm

Chair

Contact officer Kayode Adewumi
Committee Co-ordinator
Governance and Scrutiny
Tel: 020 8753 2499
E-mail: kayode.adewumi@lbhf.gov.uk

Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

London Borough of Hammersmith & Fulham
Pensions Sub-Committee
Minutes



Wednesday 21 September 2016

PRESENT

Committee members: Councillors Michael Adam, Nicholas Botterill and Iain Cassidy (Chair)

Officers: George Bruce (Director of Treasury and Pensions), Nicola Webb (Pension Fund Officer), David Coates (Head of Payroll and Pensions), and David Abbott (Committee Coordinator)

External: Graeme Muir (Fund Actuary - Partner at Barnett Waddingham LLP) and Alistair Sutherland (Deloitte)

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 22 June 2016 were agreed as a correct record and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Guy Vincent and PJ Murphy.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. PENSION FUND QUARTERLY UPDATE PACK

Nicola Webb presented the quarterly update pack for the quarter ended 30 June 2016. She noted that the operational management of the London CIV had been added as a new risk to the risk register. A forward plan for the Pensions Sub-Committee had also been added to the update report and in future would be included each quarter for consideration.

Alistair Sutherland gave an investment update, noting that markets had been volatile over the period, the Bank of England had announced a programme to buy gilts and corporates bonds, and yields were expected to drop even lower for longer.

Councillor Michael Adam asked for an update on the managers performance, particularly Majedie, following the EU referendum vote. Alistair Sutherland said managers had reported a great end to the quarter. Some property funds had been struggling since the referendum but those were in the retail sector – the Council’s funds had not been affected.

Councillor Adam, with reference to the returns on page 16 of the agenda, asked why one-year performance was below the benchmark. Alistair Sutherland responded that the biggest impacts had been Madjedie and Standard Life. Madjedie had been too early on some positions, though they’ve said this has now been resolved. Standard Life suffered in comparison to others as it was a property fund with a gilts benchmark and gilts had hugely outperformed. They were looking at new opportunities, supermarkets etc., to catch up over the next year to eighteen months.

Councillor Nicholas Botterill asked if officers had a more recent headline valuation of the fund. Officers responded that at the end of July it was around £920,000,000.

4.6 Councillor Adam requested an analysis of the underlying risks across different asset classes. Officers said they would bring this to the next meeting.

The Chair asked if the pensions element of the Statement of Accounts had been completed. Nicola Webb responded that the auditor required some further clarifications around membership data from Surrey County Council – that information had now been provided and the final opinion was due shortly.

RESOLVED

That the Pensions Sub-Committee noted the report.

5. LONDON CIV UPDATE

Nicola Webb presented the report and noted that the final asset pooling response was submitted to Government in July 2016 and, in the meantime, progress had been made with transitioning assets to the London CIV with the transfer of the Ruffer assets taking place during the summer.

There had been delays with the LGIM transfer due to the complexity of the legal structure. It had been decided that the Fund should retain management of assets but will benefit from reduced fees (backdated).

The London CIV was in the process of agreeing terms for Majedie’s UK equity fund to be added to the range of funds available. Discussions were ongoing and a recommendation would come to the November meeting.

RESOLVED

That the Sub-Committee agree that an investment is made in the LGIM passive emerging market equity fund as soon as it is possible to do so, utilising the cash set aside for this purpose.

6. PENSION FUND INVESTMENT REBALANCING

Nicola Webb presented the report and noted that, following discussion at the last meeting in June 2016 and the provision of additional information from the investment adviser by email, a withdrawal of £38m from the UK equity portfolio managed by Majedie took place in August. This was followed by investments of £22m into the Insight Bonds plus fund and £16m into the Oak Hill Advisers Diversified Credit Strategies Fund.

Councillor Adam asked if the fund was still overweight in overseas equities. Nicola Webb said it was but remained underweight on infrastructure.

RESOLVED

That the sub-committee note the actions taken to rebalance the Fund's investments closer to the targets set out in the Statement of Investment Principles.

7. FUND MANAGER MONITORING

Nicola Webb presented the report that proposed fund manager monitoring sessions for members of the Pensions Sub-Committee to meet with all of the Fund's investment managers.

RESOLVED

That the Pensions Sub-Committee noted the report.

8. PENSION FUND ACTUARIAL VALUATION UPDATE

George Bruce presented the report and noted that the actuarial valuation as at 31st March 2016 was underway and all data has been submitted, although the resolution of data queries was ongoing.

The Fund Actuary, Graeme Muir of Barnett Waddingham, circulated slides with an overview of the valuation. He noted that the valuation answered a key question – how much do employers need to pay into the fund to have enough assets to pay future benefits?

Under challenges he noted a possible review of the employer cost cap and the likelihood that the scheme would be revised from 2020. He also noted that the introduction of league tables may lead to a 'gravitation to the middle'. There was also a danger associated with the minimum funding requirement – that setting a benchmark leads to just meeting it rather than exceeding it.

Graeme Muir reported that they were carrying out a mortality review, both to measure the current rates but also looking to the future. There had been continuous improvement in mortality of 2 percent per year from 2000 to 2014 but the following years had seen no increase – it was not yet known whether this was a temporary dip or a more permanent change.

Graeme Muir drew member's attention to the slide showing the 2013 valuation results. He noted the funding level in 2013 was 83% and the figure of 13.6 percent of pensionable pay needed to meet with cost of new benefits. He stated he anticipated the funding level at 2016 would be in the range of 80 – 85 percent. Councillor Nicholas Botterill asked if the funding level of 80 - 85 percent was the same for other comparable funds. Graeme Muir responded that there was a wide range, from 65 to over 100 percent. The average in 2013 was 90 percent.

The next steps involved finalising the data, agreeing assumptions, and considering employer contributions. Then the funding strategy would have to be reviewed and the individual results would be communicated to employers – this would be agreed and signed off by 31 March 2017. George Bruce noted that the employer-specific results would come to the November meeting.

RESOLVED

That the Sub-Committee noted the report.

9. ANNUAL REVIEW OF PENSION BOARD ACTIVITIES

Nicola Webb presented the report and noted that the Pensions Board's terms of reference required it to prepare an annual report on its activities and its compliance with the terms of reference. The report was addressed to Full Council each year and submitted to the Pensions Sub-committee for noting prior to submission to Council. The report summarised the work undertaken by the Board during the year.

RESOLVED

That the Pensions Sub-Committee noted the report.

10. COMMUNICATIONS POLICY UPDATE

David Coates presented the revised Communications Policy Statement. He noted that the policy statement had gone to the Pension's board who had approved it but wanted more done for current pensioners in future. In response to this a newsletter was planned for next March addressing these concerns. A draft would be sent to the Pensions Board for comment and approval.

The Chair asked if there had been any feedback on the new website. David Coates responded that feedback had been reasonably positive.

RESOLVED

That the Sub-Committee approve the revised version of the Communication Policy Statement.

11. PENSIONS ADMINISTRATION STRATEGY

David Coates presented the Pensions Administration Strategy report and noted that officers did a lot of work to get all returns in on time this year. He said the employers seminar was a big help in preparing the employers for year end and they were proposing to do the same next year.

Councillor Nicholas Botterill asked if the employers had been consulted on the proposals and provisions to levy charges. David Coates responded that they had not been consulted and the levying of charges would be a last resort. The current approach was to encourage employers to comply with their requirements.

George Bruce asked how officers were getting access to performance data now that Surrey County Council was providing the service. David Coates noted that officers had met with Surrey to discuss monitoring and a proposal would go out to employers on monitoring shortly. George Bruce also questioned the value of having compliance targets of below 100 percent. Officers said they would look again at the targets.

RESOLVED

1. That the committee approve the implementation of a PAS as shown in Appendix 1 of the report.
2. That the PAS has an implementation date of 1 January 2017.

12. PENSIONS ENGAGEMENT POLICY

David Coates presented the report that sought approval for the pensions engagement strategy, including a Pensions Annual General Meeting.

Councillor Michael Adam asked officers for feedback from similar events in partner boroughs. George Bruce responded that around 15 people attended the previous Westminster City Council meeting, the numbers tended to reduce year-on-year, and most of the questions were individual member queries about the transfer to Surrey County Council. Improvements to the pensions statements have likely mitigated many of the issues that would have been raised in the past.

Councillor Nicholas Botterill suggested holding pensions workshops or drop-in sessions around existing events – the Leader’s staff roadshows for example. Officers noted that the Council had run drop-in sessions in the past to discuss specific issues with members and they were planning to reintroduce them next summer.

The Chair summarised that the Sub-Committee supported some form of public event but did not necessarily see the value in holding it every year. They recommended a scaled-back event of around an hour that was focused on existing scheme members. After the event had taken place it should then be reviewed before a decision was made on the pattern of meetings going forward.

RESOLVED

1. That the Sub-Committee approved in principle the concept of a pensions engagement strategy as detailed in Appendix 1 of the report.
2. That the Sub-Committee approved a proposal to hold a one-off pensions event focused on existing scheme members.

13. PENSION FUND INVESTMENT STRATEGY

George Bruce presented the investment strategy report that provided information about the correlations which exist between the Fund's current investments following a request from members at the last meeting. He noted that the analysis showed the Fund was reasonably well diversified and should be equipped to weather a sustained period of market stress better than funds where there was a greater reliance on equities to deliver the return.

Councillor Michael Adam commented that UK inflation could rise (historically it was sensitive to drops in sterling) and officers should consider the current matches and mismatches between inflation, assets, and liabilities.

Alistair Sutherland responded that inflation remained a key risk and he could look again at asset classes that had explicit inflation sensitivities – and asset classes where there were opportunities in that scenario.

RESOLVED

That the Sub-Committee noted the report.

14. DATE OF THE NEXT MEETING

The next meeting was scheduled for 23 November 2016.

15. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

That under Section 100A(4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

16. PENSION FUND INVESTMENT STRATEGY - EXEMPT ELEMENTS

RESOLVED

That the Sub-Committee noted the report.

Meeting started: 7.00 pm
Meeting ended: 9.00 pm

Chair

Contact officer: David Abbott
Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2063
E-mail: david.abbott@lbhf.gov.uk

London Borough of Hammersmith & Fulham

Pensions Sub-Committee Minutes



Wednesday 30 November 2016

PRESENT

Committee members: Councillors Michael Adam, Nicholas Botterill, Iain Cassidy (Chair), PJ Murphy and Guy Vincent

External Guests: Melanie Stephenson from Barnett Waddingham and Kevin Humpherson from Deloitte

Officers: Peter Carpenter, Peter Metcalfe, and David Abbott

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 21 September 2016 were agreed as a correct record and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. PENSION ACTUARIAL VALUATION AND FUNDING STRATEGY STATEMENT

Peter Carpenter presented the report and noted that Melanie Stephenson of Barnett Waddingham had attended to update the Sub-Committee on progress with the 2016 actuarial valuation. A draft funding strategy statement reflecting the changes to the CIPFA guidance was presented for consideration.

Melanie Stephenson presented an updated version of the slides at appendix 1 of the report. She noted the following points:

- The overall picture was positive – the funding level for the whole fund had increased to 87 percent.
- Section 13 of the Pensions Act provided for an independent review by the Government Actuary Department (GAD) – they would be looking at compliance, consistency, solvency, and long term cost efficiency.
- Section 13 was introduced to improve governance and give people a better understanding of how funds were performing in relation to each other.

- The LBHF fund was around the middle of the pack of funds that had reported so far.

Councillor PJ Murphy asked what the risks of non-compliance were regarding Section 13. Melanie Stephenson responded that the main risk was reputational as GAD's reports would be made public. If a fund was considered to be failing in their duties they could recommend higher payments but that would only happen in extreme cases.

Councillor Michael Adam asked how it could be that in 2013 the fund was 83 percent funded and in the top 25 percent of funds but in 2016, at 92 percent funded with the new S13 valuation, it looked to be in the lower middle percentile. Melanie Stephenson responded that not all funds had reported in yet and it was likely that the better performing funds reported first. A large proportion of the funds that had reported were in the 90 to 100 percent funded range so the LBHF fund's position was relative. Councillor Adam commented that the data presented didn't tally with the message from Government that the LGPS was in trouble.

Councillor Nicholas Botterill asked what the changes were to the discount rate. Melanie Stephenson said the rate had come down from 6 percent in 2013 to 5.4 in 2016 as the expectation of future investment returns had come down. While the funding level had improved the future service rate had gone up – i.e. the cost of benefits would be more expensive.

Councillor PJ Murphy commented that the low expected returns seemed out of sync with historical data. Melanie Stephenson said her firm used yields from investment markets and projected forward, the expectations were that they would be lower than they have been in recent years.

Councillor Michael Adam asked for clarification on why, if the fund was 92 percent funded and investment returns had been consistently good recently, hadn't liabilities reduced more. Liabilities seemed to have grown with asset growth. He also noted that some of the assumptions seemed highly unlikely – e.g. assuming a 4 percent increase in salaries. Melanie Stephenson responded that while markets had been performing well recently the figures presented represented a prudent long-term view with continuing expectations of low inflation and low investment yields.

Councillor Michael Adam said he would be interested to see a fan chart that gave some perspective on the fund's risk profile. Melanie Stephenson said she could provide that. Peter Carpenter said it would also be helpful for the Sub-Committee to get an explanation in plain English of how the calculation worked. Councillor Guy Vincent agreed that it would be useful to see the financial model.

Councillor Michael Adam noted that he had been looking at a product that could reduce the volatility of return and asked if that would be taken into account in the assumptions. Melanie Stephenson said it could be considered, after looking at the equity return. Kevin Humpherson asked if there was a way of modelling the expected return for infrastructure as that might increase the

overall expected return. Melanie Stephenson noted that even if the figures changed slightly and the recovery period shortened, the fund should still aim to keep payments in relatively stable.

The Chair asked what the timeline for a final funding strategy report was to Full Council. Hitesh Jolapara responded that the report would be going to Budget Council in February. To meet that timeline, the strategy had to be confirmed by mid-January.

The Sub-Committee noted that the new Funding Strategy Statement had to be completed by 1 April 2017 and that this would be based upon the draft contained within the papers.

The Sub-Committee agreed the following recommendations:

RESOLVED

- The Sub-Committee asked the actuary to produce a range of sensitivities with an adjusted prudence assumption to show the impact on the discount rate.
- The Sub-Committee asked the actuary to look at modelling expected return for infrastructure and also a slight reduction in the Prudence allowance – as in the figures presented infrastructure had been treated the same as property.
- Officers were asked to arrange a meeting once the updated figures had been produced to approve the draft Funding Strategy Statement.
- That officers continue with the drafting of the new Funding Strategy Statement to be produced at the next meeting.

5. PENSION FUND QUARTERLY UPDATE PACK

Peter Carpenter presented the quarterly update pack for the quarter ended 30 September 2016. He noted that the afternoon sessions meeting the fund managers had sufficiently covered the updates in the report. The Committee agreed that it had been a good exercise and noted that there were no concerns with any of the managers.

RESOLVED

That the report was noted.

6. PENSION BOARD MINUTES

Councillor PJ Murphy suggested it would be useful for the Pensions Board to have a session to meet with the fund managers.

RESOLVED

The Sub-Committee recommended that the Pensions Board had a session with the fund managers.

7. LONDON CIV UPDATE

Peter Carpenter presented the report and noted that LGIM portfolio was now fully invested in the All World index after the cash being held for emerging market equities was invested in October 2016. The London CIV had agreed with Majedie for the UK equity fund to be available on the platform. The report recommended that the whole of the current Majedie portfolio was transferred to the CIV on a base plus performance fee basis, saving an estimated £104,000 per annum. The advice from Deloitte was to pay a flat rate fee plus performance.

Councillor Nicholas Botterill asked why Deloitte were recommending a flat fee. Kevin Humpherson responded that the flat rate was 30 basis points, already slightly lower than the current rate and they expected the fund to outperform.

Councillor PJ Murphy asked if the Council could modify the management fee if the fund manager changed. Kevin Humpherson said he would check and provide that information after the meeting.

Councillor Michael Adam asked what the average fee was, including performance. Kevin Humpherson said it was very close to the fee cap, between 90 basis points and 110. The new fee structure could result in a saving of 50 basis points on average.

RESOLVED

1. That the Sub-Committee agreed to transfer all the assets currently managed by Majedie Asset Management Equity fund to the CIV Majedie Equity Fund when it became available. That the Majedie Focus and Tortoise funds be looked at in terms of balances that could be used to 'rebalance' the overall investment portfolio back to the planned distribution.
2. That the sub-committee agreed the fee basis for the Majedie UK Equity fund to be the base fee plus performance fee.

8. INVESTMENT REGULATIONS

Peter Carpenter presented the report and noted that the Investment Strategy Statement will have to be in place by the end of March in time for the new financial year in April. He also noted that as part of this, the sub-committee would be required to review its policy on ethical, social and corporate governance issues. He advised that the London CIV should be invited to the next meeting to discuss their governance arrangements and how the interface between Councils, the CIV, and fund managers would work in practice.

RESOLVED

1. That the sub-committee noted that a draft Investment Strategy Statement (ISS) prepared in accordance with the revised investment regulations and guidance will be presented to the 15th March 2017 meeting.

2. That the sub-committee discussed the requirement for greater detail on environmental, social and corporate governance (voting) matters including greater consultation with interested parties, including the Pension Board, which will have to be reflected in the ISS.
3. That a meeting be set up in January to ascertain Members views in relation to investments and Risk to feed into the new Funding Strategy Statement and Investment Strategy Statement.

9. PENSION FUND MANAGER MONITORING

Peter Carpenter presented the item, noting that the first of the fund manager monitoring sessions took place on 12 October 2016 with five fund managers attending to brief the committee on their performance and outlook for the future. The main issue arising from that session was the negative outlook for equity markets and likely future returns. The second session with the remaining fund managers took place prior to the sub-committee meeting on 30 November 2016. He asked members for their feedback on the sessions.

Councillor Adams noted that he liked the format but felt there was no need to have two sessions per year if performance was good. There should instead be one annual session with managers invited to attend again if they had underperformed.

RESOLVED

That the report was noted.

10. DATE OF THE NEXT MEETING

The next meeting was scheduled for 15 March 2017.

11. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

That under Section 100A(4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

12. LONDON CIV UPDATE - EXEMPT ELEMENTS


The exempt elements of the report were noted.

Meeting started: 7.00 pm
Meeting ended: 8.50 pm

Chair

Contact officer: David Abbott
Scrutiny Manager
Governance and Scrutiny
☎: 020 8753 2063
E-mail: david.abbott@lbhf.gov.uk

Agenda Item 6

London Borough of Hammersmith & Fulham PENSIONS BOARD 7 February 2017	 hammersmith & fulham
PENSION ADMINISTRATION UPDATE	
Report of the Director of Human Resources	
Open Report	
Classification: For Information Key Decision: No	
Wards Affected: None	
Accountable Director: Debbie Morris, Bi-Borough Director of Human Resources	
Report Author: David Coates, HR & Payroll Consultant	Contact Details: Tel: 020 8753 1885 E-mail: david.coates@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report updates the Pensions Board on the performance of Surrey Pensions Services in the provision of pension administration services to the London Borough of Hammersmith & Fulham (LBHF) under the Delegation Agreement.

2. RECOMMENDATIONS

- 2.1. That the Pension Board notes this report, and agrees that further progress is reviewed at the next meeting the Pension Board.

3. INHERITED BACKLOG

- 3.1. Members of the Pension Board will be aware from the previous meeting that the inherited backlog of items from Capita fell into four main categories. An update on progress made with each of these is below:

Issue Description	Estimated LBHF volume	Progress since previous Board meeting
Data cleansing of all known deferred member records	4000 LBHF cases	520 (13%) of the cases have been cleansed so far. SCC is on track to cleanse the remainder within the next 11 months.
Historical deferred	249 LBHF	67 of the cases have been matched to a known LBHF

Issue Description	Estimated LBHF volume	Progress since previous Board meeting
pensions not put into payment	cases	employee record dating after 1990. The remaining 182 cases date from employee records where the LBHF leaving date is prior to 1990 so cannot be easily checked against known borough records. Surrey will be writing to all cases by 31 January 2017 asking for proof of identification to be forwarded for consideration of pension benefit assessment. Cases will then be dealt with on a case by case basis as responses are received. Cases will be scrutinised for evidence of employment and scheme membership prior to any benefits being paid.
Historical unresolved casework	450 LBHF cases	40 cases (9%) have now been resolved. We have agreed with Surrey that they will categorise each of these remaining cases into high/medium/low priority by the next monthly meeting in February 2017, with a view to then tackling the high priority cases first. Surrey is on track to resolve all remaining cases within the next 11 months.
Previous 2014-15 year-end returns to be reviewed and queries resolved	550 LBHF cases	All missing employer year-end files from 2014-15 have now been received by Surrey and processed against their administration system. 550 LBHF cases have been identified as having queries outstanding from the employer (e.g. pensionable pay value does not match known job occupancy). A sample of these cases has now been sent to the Borough and we have investigated these. Most the enquiries will fall back onto the borough to answer the remaining questions and then feed this back to Surrey for them to update their administration system. The exact process for how we categorise and resolve these will be agreed at the January 2017 meeting.

4. OTHER KEY PENSION SERVICE DELIVERY ISSUES

4.1 An update of other key pension service delivery issues is as follows:

- a) **Review of pension administration processes and responsibilities** – the planned a full-scale review of the current division of pensions-related administrative duties between SCC, BT and the Client Team was postponed in December 2016 due to BT's inability to commit resource. The meeting is now taking place in the first week of February 2017.
- b) **Seminar with admitted/external bodies** – A seminar for external employers to remind them of their year-end responsibilities is planned for 17th March 2017. The proposed Pension Administration Strategy will underpin external employer compliance going forwards.
- c) **My Pensions Helpdesk** – the SCC helpdesk is now functioning satisfactorily in terms of the number of calls being handled, and we now receive almost no complaints from scheme members. 81% of incoming calls are resolved at the first contact with the helpdesk. We expect a more detailed breakdown of call resolution times from Surrey at the February 2017 service review meeting.

- d) **Pension surgeries** – SCC staff are now holding pension surgeries for LBHF scheme members at the LBHF Town Hall. The first session was held on 6 December 2016 for up to 28 employees and proved positive in assisting members with queries. It is planned to hold the next session in late May 2017.
- e) **Starter/leaver files from BT** – these have not been received from BT for the whole of the 2016-17 financial year although test files were received but contained anomalies that needed to be fixed. A further review is being held with BT in early February 2017.

5. OPTIONS AND ANALYSIS OF OPTIONS

5.1. Not applicable.

6. CONSULTATION

6.1. Not applicable.

7. EQUALITY IMPLICATIONS

7.1. Not applicable.

8. LEGAL IMPLICATIONS

8.1. None.

9. FINANCIAL IMPLICATIONS

9.1. None.

10. IMPLICATIONS FOR BUSINESS

10.1. None.

11. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

11.1. None.

LIST OF APPENDICES:

None

London Borough of Hammersmith & Fulham PENSIONS BOARD 7 February 2017		
PENSION ADMINISTRATION STRATEGY		
Report of the Director of Human Resources		
Open Report		
Classification: For Information Key Decision: No		
Wards Affected: None		
Accountable Director: Debbie Morris, Bi-Borough Director of Human Resources		
Report Author: David Coates, Retained Pensions	Contact Details: Tel: 020 8753 1885 E-mail: david.coates@lbhf.gov.uk	

1. EXECUTIVE SUMMARY

- 1.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables the Administering Authority to prepare a document that details the administrative standards, performance measurements, data flows and communication vehicles with Scheme Employers.
- 1.2 Regulation 70 of the LGPS 2013 allows the Administering Authority to recover costs from Scheme Employers where such costs have been incurred because of non-compliance with LGPS administrative requirements.
- 1.3 This report confirms the LBHF Pensions Administration Strategy (PAS) agreed by the Pension Sub-Committee at its meeting on 21 September 2016 in line with regulation 70.

2. RECOMMENDATIONS

- 2.1 That the Pensions Board notes the PAS as defined in Appendix 1.

3. PROPOSAL AND ISSUES

- 3.1 The pensions management system that the LBHF Administering Authority has in place includes outsourced partners for payroll (BT and school's payroll providers) and for pensions administration (Surrey County Council).

- 3.2 In addition, the Administering Authority has 25 Admitted Bodies (Scheme Employers) and 54 Scheduled/Administering Bodies (Schools and Academies) which all form part of the LBHF pension fund.
- 3.3 For the transactional processes to be successful the Payroll Providers, the Pensions Administrator, the Admitted bodies and the Scheduled/Administering Bodies must have clear processes and agreed performance expectations.
- 3.4 The PAS details the main roles and responsibilities of the major stakeholders and summarises the agreed performance standards. Included in the PAS is a schedule of charging that allows the Administering Authority to recover costs from the Scheme Employers where such costs have been incurred as a direct result of an Employers non-compliance with administrative requirements.
- 3.5 In addition, the Administering Authority may apply a charge in instances where fines have been levied by the Pension Regulator, Pensions Ombudsman, HMRC or regulatory body on the Administering Authority.
- 3.6 There is also provision to generate a charge when the Administering Authority has procured third party advice on behalf of a Scheme Employer.

4. OPTIONS AND ANALYSIS OF OPTIONS

- 4.1. Not applicable.

5. CONSULTATION

- 5.1 Not applicable.

6. EQUALITY IMPLICATIONS

- 6.1. Not applicable.

7. LEGAL IMPLICATIONS

- 7.1. None.

8. FINANCIAL IMPLICATIONS

- 8.1 None.

9. IMPLICATIONS FOR BUSINESS

- 9.1. None.

10. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

- 10.1. None



Pension Administration Strategy

Effective from 1 January 2017

Contents

1. Introduction
2. Policy Statement
 - Pensions Administration Strategy Statement
 - Statutory background
 - Aims & Objectives
 - Other documents which make up the overall strategy
3. Roles and responsibilities
 - Administering Authority.
 - Employers
4. Liaison, engagement and communication strategy
5. Standard of expected service between the Administering Authority and employers
 - Employer targets
6. Pensions Administration Strategy - Schedule of Charging
7. Further Information.

1. Introduction

The delivery of a high quality, cost effective pensions administration service is not just the responsibility of the Administering Authority (London Borough of Hammersmith & Fulham [LBHF]), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pensions Administration Strategy (PAS) is to ensure that the Administering Authority along with their Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

It should be noted that the Administering Authority has outsourced partners (BT and Surrey County Council) to support them with the delivery of their responsibilities.

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance with the terms set out in the schedule of charging in Section 6.

2. PAS Policy Statement

Pensions Administration Strategy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from an Employer where costs have been incurred because of an Employer's non-compliant level of performance in carrying out its functions under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Adminstrating Authority is to have in place a pension management system that meets the needs of the stakeholders by:

- clarifying the roles and responsibilities of all the major stakeholders.
- ensuring the services provided by all the major stakeholders are accessible, equitable and transparent
- assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

- the standard of expected service between the Adminstrating Authority and Employers
- a schedule of charges that apply when standards of service fall below expectations
- a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

- Local Government Pension Scheme Communications Policy

3. Roles and responsibilities

Administering Authority

The responsibilities of the Administering Authority are:

- To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- To notify each member regarding the counting of membership in the scheme.
- To set up and maintain a record for each member of the scheme which contains all the information necessary to produce an accurate benefit calculation following the employer providing useable, timely and accurate financial data.
- To ensure that employers are advised of the regular requirements for the provision of timely and accurate scheme member data so that member records can be accurately maintained.
- To calculate and pay the appropriate benefits at the correct time, based on membership details held at the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.

- To supply beneficiaries with details of their entitlements including the method of calculation.
- To set up and maintain a record for each pensioner member.
- To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.
- To pay benefits to the correct beneficiaries only and to take steps to reduce the possibility of fraud taking place.
- To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013.
- To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP)
- To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRP.
- To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.
- To arrange and manage the triennial valuation of the pension fund
- To ensure compliance with the Data Protection Act 1998.

Employers

The main duties of the Employer are:

- To decide who is eligible to become a member of the Scheme in accordance with LGPS regulations.
- To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion which the employees' contractual hours relate to the hours of a comparable full time, employee.
- To determine the pensionable pay of employees for the purposes of calculating the pension contributions.
- To determine final pay for the purposes of calculating benefits due from the Scheme.
- To issue a notification to any employees who cannot become members of the Scheme explaining the reason(s) why.

- Where, after reasonable efforts, an employee fails to provide information relating to previous service, to provide basic information to the Administrating Authority as required by the Administering Authority.
- At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit and notify the Administrating Authority and the Scheme member of the decision.
- To supply timely and accurate information to the Administrating Authority to ensure the correct calculation of benefits payable from the Scheme.
- To deduct all pension contributions from a member's pay, including Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs) as may be required, and to pay all pension contributions to the relevant pension provider within the statutory deadlines.
- To be responsible for exercising the discretionary powers given to Employers by the regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.
- To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.
- To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Administrating Authority in determining ill health retirement.
- To repay to the Scheme member any incorrectly deducted employee's contributions.
- To provide the Administrating Authority with Monthly and Year-end information as at 31 March each year in an approved format, and with any additional information as may be required from time to time by the Administering Authority to enable it to fulfil its pension administration responsibilities.
- To provide the Administrating Authority with an audited copy at financial year end (31 March annually) of the final statement which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.
- To be responsible for complying with the requirements for funding early retirement for whatever reason as set out in the rates and adjustments certificate issued by the Actuary following the triennial valuation of the fund.

- Pay the Administrating Authority interest on payments due from the Employer which are overdue by more than one month.
- Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administrating Authority.
- To ensure compliance with Data Protection Act 1998.

4. Liaison, engagement and communication strategy

The Administrating Authority will issue and annually review their Local Government Pension Scheme Communications Policy.

The policy will include a strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administrating Authority will use to meet their communication responsibilities and it will also include details of what is communicated and the frequency.

Annually the Administrating Authority will issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

5. Standard of expected service between the Administrating Authority and the employers

Who *	Administration Description	Performance Targets	Acceptable performance
	<u>New Starters and Transfers In</u>		
E	New starter: The Employer to give potential new members the pensions information contained in the most recent starter pack	Within 20 working days before the new employee's first day of employment.	100% compliance within the target
E	New scheme member: Employer to send to the Administrating Authority the details of the new member.	Within 20 working days after the scheme membership start date.	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
AA	New scheme member Adminstrating Authority to create a new pensions record from the completed notification from the Employer	Within 20 working days from the date of notification.	100% compliance within the target
AA	New scheme member: Adminstrating Authority to request a transfer quote from the new member's previous scheme.	Within 20 working days of receipt of authorisation from the employee	100% compliance within the target
AA	New scheme member: Adminstrating Authority to credit member record with membership due from transfer of previous pension benefits.	Within 20 working days of receipt of payment from previous pension scheme.	100% compliance within the target
AA	New Scheme member: Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 20 working days of receipt of the all the information	100% compliance within the target
	<u>Existing members and schemes</u>		
AA	Changes to data which materially affect actual or potential benefit calculations to be processed	Within 20 working days of occurrence or receipt of all necessary information, whichever is later.	100% compliance within the target
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned	Within 20 working days of receipt of all necessary information.	100% compliance within the target
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme	Within 20 working days of receipt of all necessary information	100% compliance within the target
AA	The terms of purchasing additional pension to be notified to the member concerned	Within 10 working days of receipt of all necessary information.	100% compliance within the target
AA	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 10 working days of receipt of all necessary information following the elapse of any period before which the contributions can	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
		be refunded	
AA	Upon receipt of a death notification from an Employer of a pensioner; arrangements put in place for pension payments to cease immediately.	Within 1 working day of receipt of all necessary information	100% compliance within the target
AA	<p>Upon receipt of a death notification from an Employer of a pensioner, letters will be sent to next of kin or other relevant party.</p> <p>Setting up of any dependents pension</p>	<p>Within 5 working days of receipt of notification of a death</p> <p>Within 10 working days of receipt of all necessary information.</p>	100% compliance within the target
<u>Leavers and Transfers out</u>			
E	Leaver: Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	100% compliance within the target
AA	Leaver: Administrating Authority to issue a statement of deferred benefits as appropriate	Within 20 working days of being notified of the date of leaving.	100% compliance within the target
AA	Leaver: Administrating Authority to issue quote for Cash Equivalent Transfer Value (CETV)	Within 20 working days of request	100% compliance within the target
E	Retirements: Employer to send the Administrating Authority a completed retirement notification.	At least 15 working days before their final paid day of work.	100% compliance within the target
AA	Retirements: Administrating Authority to send benefit options to member together with relevant forms required for payment of retirement benefits	Within 7 working days of receiving notification from the Employer	100% compliance within the target
AA	Retirements: Administrating Authority to arrange the payment of Lump	Within 7 working days of receiving all required	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
	Sum if due,	information from the Employer	
AA	Retirements: Administering Authority to arrange payment of Annual Pension (paid monthly)	Within 7 working days of request from the Employer	100% compliance within the target
<u>Deductions</u>			
E	Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority	By the 19th day of the month following the month in which contributions were deducted, or the working day immediately prior to this if the 19th falls on a weekend or bank holiday.	100% compliance within the target
<u>Pensioners</u>			
AA	Payslips: Every pensioner to receive a monthly pension advice payslip in the months of March and April. Thereafter, a hard copy payslip will be generated only where the net pension alters by ten pounds (£10) or more from the previous month.	March and April	100% compliance within the target
AA	Increases or decreases: Notify the pensioners of the increase or decrease and its effect on their pension by standard letter	In the month of the payment increase or decrease	100% compliance within the target
<u>Advisory & Communications</u>			
AA	Contact centre Answer phone calls and deal with queries from members and employers.	On working days between the hours of 8.30 am and 5.00 pm	100% compliance within the target
<u>Complaints</u>			
AA	All complaints to be acknowledged. A full written response to a complaint must be sent to the complainant	Within 5 working days Within 20 working days of its receipt by Surrey Pensions Service, subject to all necessary information being available to Surrey to enable a full response to be given. if all necessary	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
		information is not available Surrey will send a holding reply to the complainant and will provide an indication as to when a full response will be provided.	

* Body responsible for the action (AA = Administering Authority; E = Employer)

6. Pensions Administration Strategy - Schedule of Charging

The Administering Authority has the right to recover from the Employer any additional costs that it may incur because of an Employer's poor performance in respect of its obligations to the LGPS, which includes the Employer's inability to provide data in an accurate and timely manner to the Administering Authority.

It is expected that the Administering Authority will have constructive dialogue with any employer that is failing to meet any of its obligations under the LGPS. The final decision on whether to impose costs or charges rests with the Administering Authority. Employers have a duty to seek advice from the Administering Authority if they experience any difficulties in meeting their obligations.

In accordance with the regulations the Administering Authority will give the reasons for imposing any charges or recovering any additional costs it incurs.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employer in respect of compliance with the LGPS regulations has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.
- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administering Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

The following schedule identifies the standard charges that the Administering Authority may apply in cases associated with the administration of starters, transfers-

in, leavers, transfers-out and the monthly submission of employee and employer pension contributions and schedule of deductions to the Administering Authority:

Administration Description	Performance Targets	Charge
<u>New Starters and Transfers In</u>		
New scheme member: Employer to send to the Administering Authority the details of the new member.	Within 25 working days after the start date.	£50 per case
<u>Leavers and Transfers out</u>		
Scheme Leaver: Employer to send the Administering Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	£50 per case
Retirements: Employer to send the Administering Authority a completed notification.	At least 15 working days before their final paid day of work.	£50 per case
<u>Deductions</u>		
Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority	By the 19th day of the month following the month in which contributions were deducted	£100 per instance of late delivery

7. Further Information

Retained HR Team

Maria Bailey
Pensions Manager
Royal Borough of Kensington and Chelsea,
Town Hall,
Hornton Street,
London
W8 7NX

Email: Maria.Bailey@rbkc.gov.uk

Phone: 0207 361 2333

<p>London Borough of Hammersmith & Fulham</p> <p>PENSIONS BOARD</p> <p>7 FEBRUARY 2017</p>	
PENSION FUND RISK REGISTER	
Report of the Strategic Finance Director	
Open Report	
Classification - For Review & Comment	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Hitesh Jolapara, Strategic Finance Director	
<p>Report Author: Peter Metcalfe, Interim Pension Fund Officer</p>	<p>Contact Details: Tel: 020 7641 4331 E-mail: pmetcalfe@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Pension Fund maintains a risk register in line with best practice and the Pensions Regulator Code of Practice for Public Service Pension Schemes. The register is updated by officers every quarter and reported to the Pension Sub Committee, who review it at their meetings.
- 1.2. At the September meeting of the Pension Sub Committee two minor amendments were made to the risk register. The two amendments are shown in the appendix together with the updated risk register. No further amendments were made at the 30 November Sub Committee meeting.

2. CONSULTATION

- 2.1. Not applicable.

3. EQUALITY IMPLICATIONS

- 3.1. Not applicable.

4. LEGAL IMPLICATIONS

4.1. None.

5. FINANCIAL AND RESOURCES IMPLICATIONS

5.1. There are none in relation to how the risk register is reviewed.

6. IMPLICATIONS FOR BUSINESS

6.1. None.

7. RISK MANAGEMENT

7.1. The approach to risk management is set out in this report.

8. PROCUREMENT IMPLICATIONS

8.1. None.

9. IT STRATEGY IMPLICATIONS

9.1. None.

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None.

LIST OF APPENDICES:




Appendix 1 – Pension Fund Risk Register – as reported to Pensions Sub Committee on 30th November 2016.




Appendix 1: Pension Fund risk register, November 2016




Changes to the risk register added in September 2016




Type	Ref	Risk	Rationale
New risk	14	<p>OPERATIONAL: GOVERNANCE</p> <p>London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence fund managers do not achieve their targets.</p>	<p>Now that some of the Fund's assets have transferred to the management of the London CIV, it is appropriate to add this risk to the register.</p> <p>The impact is low at the moment as only one mandate has transferred and there are no plans to make changes to fund managers at the moment.</p>
Wording change	25	<p>OPERATIONAL: ADMINISTRATION</p> <p>The quality of scheme member data inherited from Capita does not meet the comprehensiveness and level of accuracy required for Surrey County Council to correctly administer the LGPS to scheme members.</p>	<p>To update for additional work being undertaken.</p>



Pension Fund risk register, November 2016



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
1	STRATEGIC: INVESTMENT That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	<ul style="list-style-type: none"> Investment strategy in place and reviewed periodically. Performance is measured against a benchmark. Fund performance is reviewed quarterly. 	2	3	Low 6 	Director of Treasury & Pensions	Nov 2016
2	STRATEGIC: INVESTMENT Fund managers fail to achieve the returns agreed in their management agreements.	<ul style="list-style-type: none"> Independent monitoring of fund manager performance by custodian against targets. Investment adviser retained to keep watching brief. Fund manager performance is reviewed quarterly. 	3	3	Low 9 	Director of Treasury & Pensions	Nov 2016
3	STRATEGIC: INVESTMENT Failure of custodian or counterparty.	<ul style="list-style-type: none"> At time of appointment, ensure assets are separately registered and segregated by owner. Review of internal control reports on an annual basis. Credit rating kept under review. 	2	3	Low 6 	Director of Treasury & Pensions	Nov 2016



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
4	STRATEGIC: FUNDING The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	<ul style="list-style-type: none"> Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises. 	4	3	Medium 12 	Director of Treasury & Pensions	Nov 2016
5	STRATEGIC: FUNDING There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	<ul style="list-style-type: none"> Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. Cashflow requirement is a factor in investment strategy reviews. 	2	1	Very Low 2 	Director of Treasury & Pensions	Nov 2016
6	STRATEGIC: FUNDING Scheme members live longer than expected leading to higher than expected liabilities.	<ul style="list-style-type: none"> Review at each triennial valuation and challenge actuary as required. 	4	2	Low 8 	Director of Treasury & Pensions	Nov 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
7	STRATEGIC: FUNDING Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	<ul style="list-style-type: none"> Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. Cashflow position monitored quarterly. 	2	3	Low 6 	Director of Treasury & Pensions	Nov 2016
8	STRATEGIC: REGULATION Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	<ul style="list-style-type: none"> Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood. 	3	4	Medium 12 	Director of Treasury & Pensions and Bi-borough Director of HR	Nov 2016
9	STRATEGIC: REGULATION Introduction of European Directive MiFID II results in a restriction of Fund's investment options and an increase in costs.	<ul style="list-style-type: none"> Officers are engaging with Fund Managers to understand the position better Knowledge and Skills Policy in place for Officers and Members of the Committee Maintain links with central government and national bodies to keep abreast of this developing issue. 	2	2	Very Low 4 	Director of Treasury & Pensions	Nov 2016



Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
10	OPERATIONAL: GOVERNANCE Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	<ul style="list-style-type: none"> Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non-routine matters. 	2	2	Very Low 4 	Director of Treasury & Pensions	Nov 2016
11	OPERATIONAL: GOVERNANCE Sub-committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	<ul style="list-style-type: none"> External professional advice is sought where required Knowledge and skills policy in place 	3	3	Low 9 	Director of Treasury & Pensions	Nov 2016
12	OPERATIONAL: GOVERNANCE Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	<ul style="list-style-type: none"> Person specifications are used at recruitment to appoint officers with relevant skills and experience. Training plans are in place for all officers as part of the performance appraisal arrangements. Shared service nature of the pensions teams provides resilience and sharing of knowledge. 	3	3	Low 9 	Director of Treasury & Pensions and Bi-borough Director of HR	Nov 2016


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			Likelihood	Impact			
13	OPERATIONAL: GOVERNANCE Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	<ul style="list-style-type: none"> At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Sub-committee and officers scrutinise and challenge advice provided. 	2	2	Very Low 4 	Director of Treasury & Pensions	Nov 2016
14	OPERATIONAL: GOVERNANCE London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	<ul style="list-style-type: none"> Pensions sub-committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV. 	3	2	Low 6 	Director of Treasury & Pensions	Nov 2016


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			Likelihood	Impact			
15	<p>OPERATIONAL: FUNDING Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.</p>	<ul style="list-style-type: none"> • Transferee admission bodies required to have bonds in place at time of signing the admission agreement. • Regular monitoring of employers and follow up of expiring bonds. • Review of bond status within all admission agreements to be undertaken and finished in Quarter 2. 	3	2	<p>Low</p> <p>6</p> 	<p>Director of Treasury & Pensions and Bi-borough Director of HR</p>	Nov 2016
16	<p>OPERATIONAL: FUNDING Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.</p>	<ul style="list-style-type: none"> • Review “budgets” at each triennial valuation and challenge actuary as required. • Charge capital cost of ill health retirements to admitted bodies at the time of occurring. • Occupational health services provided by the Council and other large employers to address potential ill health issues early. 	3	2	<p>Low</p> <p>6</p> 	<p>Director of Treasury & Pensions and Bi-borough Director of HR</p>	Nov 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
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17	OPERATIONAL: FUNDING Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<ul style="list-style-type: none"> • Monitor numbers and values of transfers out being processed. • If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 	2	3	Low 6 	Director of Treasury & Pensions and Bi-borough Director of HR	Nov 2016
18	OPERATIONAL: ADMINISTRATION Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	<ul style="list-style-type: none"> • Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams. • Mortality screening arrangements reviewed by HR and Surrey County Council leading to improvements. 	4	2	Low 8 	Director of Treasury & Pensions and Bi-borough Director of HR	Nov 2016

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19	OPERATIONAL: ADMINISTRATION Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	<ul style="list-style-type: none"> Contract monitoring in place with all providers. Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 	3	1	Very Low 3	Director of Treasury & Pensions and Bi-borough Director of HR	Nov 2016
20	OPERATIONAL: ADMINISTRATION Failure of financial system leading to lump sum payments to scheme members and supplier payments (to fund managers and advisers) not being made and Fund accounting not being possible.	<ul style="list-style-type: none"> Contract in place with BT to provide service enabling smooth processing of payments. Officers are tracking payments through the system to ensure scheme members and suppliers receive them. Officers undertaking regular reconciliation work to verify accounting transactions. 	2	2	Very Low 4	Director of Treasury & Pensions	Nov 2016
21	OPERATIONAL: ADMINISTRATION Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<ul style="list-style-type: none"> Pensioner payroll system is subject to daily software backups and off-site duplication of records. Disaster recovery procedures allow for pensioner payrolls to be run from alternative sites if required. 	1	5	Very Low 5	Bi-borough Director of HR	Nov 2016

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22	OPERATIONAL: ADMINISTRATION Failure to pay pension benefits accurately leading to under or over payments.	<ul style="list-style-type: none"> • SCC's Altair system allows for all pensioner benefits to be automatically calculated by the administration system. • Pensioner benefits are double-checked by another team member in SCC before being released. • Spot checks are undertaken by the Client Team for accuracy. 	2	3	Low 6 	Bi-borough Director of HR	Nov 2016
23	OPERATIONAL: ADMINISTRATION Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	<ul style="list-style-type: none"> • Pensioner administration system Altair is subject to daily software backups and off-site duplication of records. • Disaster recovery procedures allow for Altair to be run from an alternative site if required. Payments can be made from other UK sites other than SCC's HQ. 	1	5	Very Low 5 	Bi-borough Director of HR	Nov 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
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24	<p>OPERATIONAL: ADMINISTRATION Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.</p>	<ul style="list-style-type: none"> • SCC's pension teams are highly skilled and knowledgeable in the area of LGPS administration. • The work is split across multiple officers to ensure skills are fully developed so that there is no single point of failure. • Team members received regular training on LGPS and on changes or enhancements to the pension administration system. • There are regular monthly meetings with the Client Manager to review performance. 	2	3	<p>Low</p> <p>6</p> 	Bi-borough Director of HR	Nov 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
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25	<p>OPERATIONAL: ADMINISTRATION The quality of scheme member data inherited from Capita does not meet the comprehensiveness and level of accuracy required for Surrey County Council to correctly administer the LGPS to scheme members.</p>	<ul style="list-style-type: none"> Some key data cleansing work was undertaken as part of the data preparation for the triennial review data to be given to the Actuary in July 2016. Data deficiencies inherited from Capita have been identified by Surrey County Council. A data recovery plan is expected to be agreed with Surrey and LBHF staff by the end of September 2016. Surrey County Council has been given authority to recruit 2 additional FTE for an initial period of 1 year (shared with RBKC) to work through data deficiencies. 	3	5	<p>Medium 15</p> 	Bi-borough Director of HR	Nov 2016