

Pensions Board Minutes



Wednesday 27 June 2018

PRESENT

Committee members: Councillors Bora Kwon and Rory Vaughan

Co-opted members: Eric Kersey

Officers: Phil Triggs (Director of Treasury and Pensions), David Coates (HR and Payroll), Miriam Adams (Treasury and Pensions), and Amrita Gill (Governance).

1. APPOINTMENT OF CHAIR AND VICE CHAIR

RESOLVED:

That Councillor Rory Vaughan be appointed as the Chair of the Pensions Board for the 2018-19 municipal year.

The Pensions Board decided to defer the election of the Vice-Chair until the next meeting.

2. MINUTES OF THE PREVIOUS MEETING

The meeting held on 7 February 2018 was not quorate but an informal briefing session took place. Members noted the discussion held at this meeting.

3. APOLOGIES FOR ABSENCE

4. Apologies for absence were received from Mark Grimley, Neil Newton and Orin Miller.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES OF THE PENSIONS SUB COMMITTEE

RESOLVED:

That the minutes of the Pensions Sub-Committee meetings held on the 21 November 2017 and 27 February 2018 were noted.

6. LONDON CIV UPDATE

Phil Triggs updated the Board and noted that Chris Bilsland, a non-executive director at London CIV (LCIV), gave a presentation to the Pensions Sub Committee on 27 February 2018. He outlined three key areas, which covered an operational and responsible investing update. Additionally, he showed slides that noted the future direction of travel of LCIV.

Phil Triggs said that the Sub-Committee were not satisfied with the answers provided by the LCIV as they didn't offer any reassurances. Additionally, the LCIV lacked resources and with no clear long-term business strategy in place it was evident that they would need to address the fundamental issues. The Sub-Committee agreed that if the Council gave up some degree of sovereignty in relation to the management of its pensions fund, then the governance of LCIV needed to be as robust and as democratic as possible.

RESOLVED:

That the Board noted the update as presented to the Pensions Sub Committee.

7. LONDON CIV GOVERNANCE REVIEW

Phil Triggs provided an update and noted that the original governance review carried out by Willis Towers Watson on LCIV wasn't complimentary of the way work had been carried out. The report made a number of recommendations for change and improvement in LCIV's governance arrangements and operating model. The key concern highlighted the engagement of a wide stakeholder base with conflicting priorities and managing these different groups to achieve joint outcomes. The Investment Advisory Committee (IAC) and the Joint Committee were not perceived to be operating optimally in their current form.

Following the concerns raised and feedback received from Local Authorities across London, LCIV had re-submitted a new governance report to streamline their processes. This included the creation of a Shareholders Committee that would report to the Board, with two non-executive directors to be appointed to the Board by London Local Authorities. Discussions of the memberships of these governance structures were ongoing with nominations to be presented at the annual general meeting (AGM) on 12 July 2018.

Councillor Rory Vaughan asked what the arrangements were for the new management structure going forward. Phil Triggs said that LCIV had delayed the recruitment of a Chief Investment Officer (CIO) pending the outcome of the AGM meeting. The current interim Chief Executive was well regarded and had brought some stability to the future direction of LCIV, however the future plan was unknown at this stage.

RESOLVED:

That the report was noted.

8. QUARTERLY UPDATE REPORT

Phil Triggs presented the report for the quarter that ended 31 December 2017. He noted that the scorecard in Appendix 1 provided a high-level view of the key

pensions issues and overall funding levels remained healthy. Over the 12-month period, the fund delivered a net return of 6.7%, underperforming the benchmark by 1.9%. However, the fund remained ahead of the benchmark over the three and five-year periods by 0.2% p.a. and 4.4% p.a. respectively.

Councillor Rory Vaughan, referring to page 56 of the agenda pack, asked why the net cash figures for April 2018 were higher than previous months. Phil Triggs explained that this was a result of the accruals from the last financial year as well as contributions received from other financial areas. Furthermore, the Council also paid their deficit at the end of the financial year. An analysis of the difference between the actuals and the forecast for the quarter were also shown, as well as an additional analysis of the invested cash in the Legal and General Investment Management (LGIM) sterling liquidity fund.

Phil Triggs noted that Appendix 4 showed the pensions fund risk register and there had been no changes this quarter. Councillor Rory Vaughan, referring to page 65 of the agenda pack, noted that risk 18 had a particularly high score and asked if there was a cause for concern. Phil Triggs explained that all the mitigating actions were in place and staff were obeying all the internal audit controls, therefore the risk needed to be reviewed. In addition, he noted that following a meeting with internal colleagues the risk register would be re-drafted to include a gross score and the likelihood of the risk. This would also include a series of mitigating actions and provide a net risk rating to ensure that all the appropriate safeguards were carried out. He noted that the risk register would be re-drafted to reflect these changes and brought to the next Pensions Board meeting.

Councillor Rory Vaughan, referring to page 61 (risk 9) of the agenda pack, asked if all mitigating actions were achieved and as a result had reduced the risk. Phil Triggs noted that fund managers were engaging with fund managers to understand the position better in relation to MiFID II and members were up-to-date with the relevant training. In addition, pensions fund officers maintained links with central government and national bodies and regularly met with fund managers to discuss their processes. He noted that this risk would be reduced for inclusion at the next meeting.

RESOLVED

That the report was noted.

9. ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDER TRANSITION UPDATE

Phil Triggs gave an overview and noted that the report provided an update of the AVC provider, Zurich Corporate Savings, transitioning their existing portfolio of Hammersmith and Fulham (H&F) pension fund member assets to a new platform. The transition aimed to provide members with a better service by utilising an online platform where members can check their benefits and receive up to date information. The implementation would require key contributions from Human Resources in communicating this change to affected members.

Between February-May 2018 regular joint consultations occurred between Zurich and officers representing the shared services treasury team and the shared services

retained pensions team to ensure that the transition occurred smoothly and that target dates in the project were met. There had been no complaints from the scheme members relating to this transition.

RESOLVED

That the Pensions Board noted the update as presented to the Pensions Sub Committee.

10. LOW CARBON STRATEGY UPDATE

Phil Triggs provided an overview and noted that the paper updated the Board on the funds current approach to fossil fuel investment and any possibilities of divestment in the future. The Pensions Sub Committee was recommended to join the Local Authority Pension Fund Forum (LAPFF), as doing so would allow the Council to engage and support the work of the organisation to ensure better environmental, social and governance decisions were taken within its portfolio. The report would be re-drafted and presented at the next Pensions Sub Committee, to discuss options in more detail and a decision would be made on how to proceed.

He highlighted that the Sub-Committee held a key fiduciary responsibility to manage the fund's investments in the best interests of the beneficiary members and the Council tax payers, where the primary focus must be on generating an optimum risk adjusted return. In addition, it was vital that any investment decisions or strategies developed, such as carbon strategy, did not negatively impact on this primary responsibility.

RESOLVED

That the Pensions Board noted:

1. The recommendations approved by the Pensions Sub Committee and,
2. The Pensions fund's current approach to fossil fuel investing.

11. PENSION FUND ADMINISTRATION UPDATE

David Coates (HR and Payroll) provided a verbal update on the performance of the Surrey County Council (SCC) pension administration services for the period January to March 2018. He also circulated a report detailing Surrey County Council's performance against their agreed service levels. Surrey help desk received over 500 queries per month and over 90% were resolved by the help desk at first point of contact, which was high. In instances where SCC had initiated and maintained the pension record, performance targets had been reached in most cases.

Data inaccuracies inherited from Capita still impacted upon SCC performance, this was evidenced by the 'statements sent to member following receipt of leaver notification', which was below target. A target driven project plan to check and improve inherited data inaccuracies had been agreed with SCC and was monitored monthly by the shared services Retained Pensions Team. It had been brought to the attention of SCC that pension fund Transfers Out performance needs to be a priority for improvement. This would be discussed at the next quarterly service review

meeting so that a plan was put in place to bring performance to an acceptable standard.

There had been some delays in the processing of claim forms, which was because the information sent to SCC was incorrect. This meant that the target may need to be reviewed going forward. The score for the deferred benefits statements sent to members following receipt of leaver notification was still low due to inherited data errors from Capita. In addition, it would take up to a year to fix this and for it to reach a score of 80-90%. There had been no formal complaints received in the last quarter on Surrey's performance and feedback from scheme members remained very good.

David Coates said that overall, Surrey's performance was deemed acceptable in all areas with the exception of transfers-out of a scheme member's accrued pension cash value to another Local Government Pension Schemes (LGPS) employer. Councillor Rory Vaughan thanked David Coates for providing an update on the performance. He also suggested that the target be lowered on areas where 100% score was not achievable. David Coates advised that we continued to push them to improve on areas where they were not performing as well, however acknowledged the good work and efforts made by SCC.

Councillor Bora Kwon asked if SCC were complying with General Data Protection Record (GDPR) framework and if the Council was satisfied with the transition. David Coates said that SCC provided this service for the Council and other London boroughs. Their compliance documents would be made available on the website in August 2018. Furthermore, there had been no enquiries from scheme members in relation to compliance and there was no evidence to suggest data breaches and non-compliance.

12. 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.

13. LONDON CIV UPDATE - EXEMPT ELEMENTS

The exempt elements of the report were noted.

14. LONDON CIV GOVERNANCE REVIEW - EXEMPT ELEMENTS

The exempt elements of the report were noted.

Meeting started: 7:00pm
Meeting ended: 8:00pm

Chair

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