

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

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