

Pension Advisory Board

11 November 2015 – At a meeting of the Board held at 10.30 am. at County Hall, Chichester.

Present: Peter Scales (Independent Chairman), Mark Baker and Richard Cohen (Employer representatives), Andy Elder and Chris Scanes (Scheme member representatives)

Officers: Steve Harrison (Chief Technical Officer) and Rosemary Pugh (Democratic Services Officer)

The Board agreed to a re-ordering of the agenda to take Items 5(vi) and 6 first and to a short adjournment at 10.55 am for the Act of Remembrance at 11.00 am.

Welcome and Introductions

25. The Chairman welcomed Steven Law (Hymans Robertson) and Actuary for the West Sussex Pension Fund (WSPF) and Rachel Wood (County Council's Pension Fund Strategist) to the introduce themselves and answer questions on the following: -

- Relationship of Club Vita with Hymans Robertson. *Steven Law advised Club Vita had been brought 'in house' by Hymans Robertson to look at mortality rates for the public sector scheme members.*
- Trends in local government pension fund membership. *Auto enrolment has resulted in increased membership. Opting out has decreased and the credit crunch has resulted in fewer people changing their employment.*
- How is relevant advice given to all employers when some are much smaller? *Advice will differ depending on level of risk and ability to raise money. Meetings will be held with all employers in the coming weeks before the triennial valuation of the WSPF on 31 March 2016. The importance of good clean data was highlighted.*

Steven Law and Rachel Wood left the meeting at 10.55 am.

Declarations of Interest

26. Mr Baker declared a personal interest in Items 5(iv), (vi) (Compliance Checks) and 6 (Administration Procedures and Performance) as he is Director of Finance, Sussex Police which has connections with CAPITA.

Minutes

27. Resolved – that the minutes of the meeting of the Committee held on 8 July 2015 be agreed as a correct record.

28. The Board agreed that in future an action note and progress report would be prepared for the next meeting in order that progress with actions can be tracked.

29. Mr Elder asked about the Government proposal on collaboration between pension funds to reduce overheads and costs. *Steven Harrison advised that this was being looked at by members of the Pensions Panel. A response from the*

Chairman of the Pensions Panel will be prepared to the consultation, which has not been published yet. The Chairman asked for the response to be sent to the Pension Board. Communication on the final proposals with employers will be important.

Urgent Matters

30. Indemnity for members of the Pension Board. Steve Harrison advised that the County Council's policies should provide the cover needed. He would clarify the matter and give the members this assurance as soon as possible.

Communications

31. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

32. Mr Baker and Mr Cohen reported on the WSPF AGM held in July. Employer turn- out had been quite low and there were no particularly significant issues to highlight for the previous year. There had been an item on risk which was welcomed by the Board members as an issue it had raised at its first meeting.

33. The Board agreed that Appendix A should be sent out to WSPF employers with a note inviting employers with a governance or compliance question to raise it with the Pension Board. Steve Harrison to agree the wording with the Chairman prior to circulation and to provide a list of employers.

34. Appendix B - Report to Governance Committee on 23 November 2015 on the work of the Pension Board. This was an interim report and in future the report would be taken forward to the Governance Committee in March when the budget would be set, a more appropriate time for the report. It was noted that the Chairman would attend the Pensions Panel meeting on 1 February 2016.

35. Resolved – that

- (1) the draft report (Appendix A) to employers is published on WSPF's website and a note sent to employers inviting them to ask the Pension Board if they have questions on WSPF governance or compliance.
- (2) Appendix B, Report to Governance is endorsed and is taken forward to Governance Committee on 23 November 2015.

Compliance Checks

Conflicts of Interest

36. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

37. The Chairman reported that this was the annual review of the position on conflicts of interest as well as an item on the formal agenda for each meeting.

38. Steve Harrison agreed to clarify the wording of Paragraph 1.3 on the management of conflicts of interest.

39. Resolved – that there have been no notified potential or actual conflicts of interest is noted.

Review of relevant Pensions Panel decisions

40. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

41. The Board raised a number of issues and questions about the de-risking strategy which included: -

- The timescale for re-risking is three months which is longer than de-risking. Mr Cohen was not sure that all employers would have understood the reason for this.
- The governance process for the trigger mechanism. *Steve Harrison advised that the Pensions Panel Chairman would be consulted, de-risking would happen automatically.*
- The policy of a single investment strategy and the role of the Pension Board.
- Should the Board look at how the Pensions Panel receives investment advice? The Chairman agreed that it was appropriate to look at how this is done in relation to the regulatory requirements but not to challenge the advice.
- The evidence base that underpins the overall investment strategy. The Board would be re-assured to see a report on how the Panel reached a decision on investment.

42. The Board agreed to recommend that a 'compliance check' is included in Pensions Panel reports. This would reassure the Board that the Pensions Panel has considered this issue and may prompt members of the Panel to ask questions about compliance and give it greater visibility.

43. Resolved – that

- (1) the Pensions Panel decisions taken on 22 July 2015 are noted;
- (2) a compliance check is included in reports to the Pensions Panel.

Annual Reports and Accounts

44. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

45. The Chairman explained the necessity for taking a report on the preparation of the WSPF Annual Report and the need to check that it complies with the guidance. Steve Harrison agreed to circulate the results of the review by Ernst and Young to the majority of queries on the Annual Report as referred in Paragraph 2.4.

46. Resolved – that the external auditor's opinion on the Pension Fund Accounts is noted.

Internal Controls and Audit Reports

47. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

48. Mr Baker referred to the Limited Assurance given to Pension Administration in August 2014. Steve Harrison advised that he could advise on the commitment to changing processes. The Board agreed that it would like a presentation from Internal Audit at its next meeting and an update on the report on Limited Assurance.

49. Resolved – that

- (1) the work of the internal audit team is noted;
- (2) that a presentation by the County Council Internal Audit is taken to the next meeting of the Board in March 2016 with an update on the 2014/15 audit plan (extract from the Annual Report).

Review of Policy Statements

50. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

51. The Board agreed that the policy statements should be reviewed as and when they are relevant to an issue under consideration.

52. Resolved – that the Pension Fund Policy Statements are noted.

Membership Reconciliation

53. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

54. Clare Chambers (Pensions Operations Manager, Capita), Paul James (Head of Public Sector Pensions, Capita) and Chris Earwaker (Service Assurance Manager, WSCC) joined the meeting for Item 5(vi) to answer questions on membership reconciliation and for Item 6 on Administrative Procedures and Performance.

55. Clare Chambers advised that Capita are working with the County Council to ensure that all membership records are accurate. Fund employers are required to give accurate data on starters and leavers to achieve an accurate list of active members by the end of the calendar year. Employers need to understand the importance of accurate data particularly for Actuary and the forthcoming triennial valuation of the WSPF.

56. The Board raised a number of issues and questions about membership reconciliation which included: -

- Who monitors performance with regard to the accurate notification of starters and leavers? *Clare Chambers advised that there is a requirement on employers and a target set out in the Administration Strategy to notify Capita but the data is not checked.* The Chairman

suggested that how this is monitored should be discussed with the Pensions Panel.

- Disclosure of breaches in payment of correct pension amounts. *Clare Chambers advised that these are only reported if they are materially significant and that no breaches had been reported. Improvement plans were in place to demonstrate this to the Regulator.* The Chairman suggested that this was an issue to scrutinise at its meeting in March. Steve Harrison agreed to report back to the Board with the Pension Panel's views.

57. Resolved – that

- (1) the work being undertaken on membership reconciliation is noted;
- (2) the control issues identified to be discussed with the Pensions Panel and a further report considered at the next meeting of the Board in March.

Administration Procedures and Performance

58. The Board received a report by the Executive Director Corporate Resources and Services (copy appended to the signed minutes).

59. Chris Earwaker introduced the report and highlighted the issue of performance monitoring on the Capita Contract. Following a dip in performance and the acknowledgement that there was a significant backlog of pensions enquiries to be addressed, a recovery plan has been put in place.

60. The Board raised a number of issues and questions about administration procedures and performance which included: -

- Why didn't Capita trigger the issue about service performance? *Paul James advised that once the problem had been identified it was escalated quickly by Capita.*
- Did the new pensions freedoms cause the backlog of work and should Capita have geared themselves up for the change? *Clare Chambers advised that it had been a learning process. The Chairman stated that the important point was to understand the process for monitoring performance in future and the Board would want to see performance indicators on a regular basis.*
- Access to accurate information on the members portal is important. This will result in routine enquiries being dealt with via the website and reduce the workload for the pensions team.
- Failure to provide Annual Benefit Statements (ABS) to both active and deferred members of the scheme by 31 August 2015. *Clare Chambers advised that a report had been prepared for the Pensions Panel who will consider whether this has to be reported to the Regulator. Paul James advised that processes have been revised and that a period of grace had been allowed for all statements to be provided by 30 November 2015. Steve Harrison considered that the breach was likely to be reported by the Pensions Panel. The Board would like to know and consider whether to notify the Regulator if the Panel does not.*

- Development of the ABS template and the need to obtain feedback from members of the scheme. It is important to ensure that the end user has a quality product and this needs to be tested by Capita.
- The Board would like to see examples of the old and new statements at its next meeting.
- Appendix A – Caseload Performance. *Chris Earwaker agreed to add case numbers to the data when it is next produced.* The Chairman asked what indicators other Pension Funds produce and added that it was part of the Board's role to improve efficiency and learning.
- The Chairman stated that the Regulator would look at how the Board scrutinises a notifiable event and will need to see evidence that it has been discussed, investigated and reported on.

61. Resolved - that

- (1) the report be received and the data be reported to each meeting together with the further information requested above;
- (2) Capita provides a copy of its standard checklist on notifiable events and information deadlines as required by the Pensions Regulator.

Training

62. The following ideas for training were agreed or suggested: -

- Board members prefer to combine meetings and training on one day.
- The next meeting to include a presentation with a governance and assurance theme. Both internal and external auditors to attend.
- Self-assessment – Board members to review the composite of their self-assessments and aim to finish the Regulator's toolkit by the end of the first year (ie Summer 2016)
- Session from Steven Law (Actuary) on how the valuation works, this could be combined with Pensions Panel training.
- Police Officer schemes – some might be relevant. Mr Baker to find out.
- LGA courses

Date of Next Meeting

63. The Board noted that its next meeting will be held at **9.30 am** on Wednesday 16 March 2016, at County Hall, Chichester (earlier start time to allow time to combine a meeting with a training session on the same day).

Agenda items will include:

- Regulatory framework for disclosures and notifications
- Communications – newsletter, consultations and website (Hartlink and County Council sites) and portal.
- Business Plan for 2016-17

The meeting ended at 2.00 pm.

Chairman