

# PENSIONS BOARD

## Agenda

### Members are requested to attend

**Date/Time:** Tuesday, 26 March 2019 - 10.00 am

**Venue:** G07 - Civic Offices

**Contact Officer:** Sandra Baxter

**Direct Line:** 020 3045 3088

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### **Membership:**

Mr John Meaker, Councillor Peter Reader and Mr Geoff Smithson.

### **Substitute Members:**

Councillor Daniel Francis

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## **Pensions Board for Bexley**

**Tuesday 16 October 2018 at 10.00am, Room G05, Civic Offices, Bexleyheath**

### Present:

Mr John Meaker, Councillor Peter Reader and Mr Geoff Smithson.

### Also Present:

Ian Talbot – Interim Treasury Manager (Onesource)  
Richard Smyth – Pensions Consultant  
Sandra Baxter – Committee Officer

### **1. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN** (Agenda Item 1)

RESOLVED – That Geoff Smithson be appointed Chairman and Councillor Reader Vice-Chairman of the Pensions Board for the Municipal Year 2018/19.

### **2. APOLOGIES FOR ABSENCE** (Agenda Item 2)

There were no apologies for absence.

### **3. MINUTES OF THE MEETING HELD ON 28 MARCH 2018** (Agenda Item 3)

The minutes were agreed as a correct record. Geoff Smithson indicated that the Board were still not receiving the newsletter from Mercer and Ian Talbot agreed to chase this up again.

### **4. REGISTER OF INTERESTS** (Agenda Item 4)

Councillor Reader indicated that he had a small shareholding in Aviva and queried whether he needed to register this. As the interest did not require inclusion on Councillor Reader's register of interests as a Councillor, it was not considered necessary to register it in relation to the Pensions Board either.

### **5. KNOWLEDGE AND UNDERSTANDING FRAMEWORK** (Agenda Item 5)

The Board received a report summarising the training they had undertaken. It was reported that some Members of the Board had also met with Mercer to

discuss particular areas in which they wished to gain greater understanding and Ian Talbot reported that Mercer would be in touch with Board members about taking this forward.

## **6. RISK REGISTER FOR THE PENSION FUND**

(Agenda Item 6)

The Board received an update on the latest risk register for the Pension Fund. Members were pleased to note that there was nothing serious to report. Richard Smyth confirmed that there had not been the same problem this year with the school that did not provide its return for the Annual Benefit Statements.

## **7. FUND COMMUNICATIONS POLICY UPDATE**

(Agenda Item 7)

The Board considered a report providing an update on the ongoing work to review the Fund's communication policy. Richard Smyth indicated that the policy had not changed but the report was intended to update the Board on what has been done in terms of communicating pension information. He reported that the LGPS (Amendment) Regulations 2018 had come into force and letters were sent to those members of the scheme affected. He also reported that a training module was now live on the Bexley Services Network for school staff to book onto.

## **8. ANNUAL BENEFIT STATEMENTS 2018 UPDATE**

(Agenda Item 8)

The Board considered an update on the issuing of Annual Benefit Statements 2018. Richard Smyth reported that the process had gone much better than last year – returns had been received from all scheme members and all active statements had been issued. A couple of employers had been slightly late with their returns but they were new to the Fund.

The Board was advised that the format of the Annual Benefit Statements had been changed this year with the aim of improving the experience of viewing them online. Richard Smyth reported that the statements had all been issued on 31 August which had caused some server issues so he would look at staggering it next year.

## **9. LOCAL GOVERNMENT PENSION SCHEME – GMP RECONCILIATION UPDATE**

(Agenda Item 9)

The Board received a report presenting the background to the GMP exercise and providing an update on progress made to date. Richard Smyth reported that 13 pensioners had been found to have received an incorrect GMP – in most cases

these would result in small increases to their pension but there were a couple of cases where their pension would reduce quite considerably. Richard Smyth had asked the administrators to double-check the information from HMRC and to try to contact the next of kin to try to find out the personal circumstances of these individuals as they are both very elderly. He emphasised that Bexley would not be seeking to recover any overpayment but would now need to start paying them the correct pension.

**10. APPRAISAL OF PENSIONS COMMITTEE REPORTS**  
(Agenda Item 10)

The Board received the minutes of Pensions Committee meetings that had taken place since the Board’s last meeting.

*The Board rose at 10.40am*

Signed:.....  
(Chairman)

Date:.....



## **PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019**

### **REGISTER OF INTERESTS**

#### **1. Introduction**

The Local Government Pension Scheme Regulations 2013 place a duty on the Council to satisfy itself that Local Pension Board members do not have conflicts of interest either at the time of their appointment or at any time during their membership of the Board. Failure to declare a conflict of interest may result in the Pensions Board acting improperly or may lead to a perception that the Board has acted improperly or could result in a challenge to the work carried out by the Board. Members of the Board are therefore required to notify the Council of any conflicts of interest or anything which has the potential to become a conflict of interest.

#### **2. Register of Interests**

No actual or potential conflicts of interest have currently been notified. This will be a standing item on each agenda to prompt members to consider whether they have a conflict of interest in relation to any of the issues to be discussed.

#### **3. Financial and Legal Implications**

There are no implications arising directly from this report.

**Contact Officer: Sandra Baxter, Committee Officer DDI 020 3045 3088.**



## PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019

### KNOWLEDGE AND UNDERSTANDING FRAMEWORK

#### SUMMARY

This report considers the further development of the knowledge and understanding framework for the Board in the light of the training that Board members have already undertaken

#### 1. Introduction

At its meeting of 3 July 2015 the Board agreed to training proposals from Mercer designed to assist Pensions Board members with the relevant training and support that they require. Personalised training plans developed by Mercer have further helped to ensure that Board members have the necessary knowledge and understanding to effectively meet their legal obligations.

This report provides a summary of the training undertaken by members of the Board to date, including training sessions provided by Aon Hewitt at Pensions Committee meetings, together with meetings of the Pensions Committee which Board members have attended.

#### 2. Training for Board members

The aims of the Board training programme are to:

- enable individuals have sufficient knowledge and understanding such that all decisions, actions and other activities are carried out in an informed and appropriate way, and so that advice and guidance can be challenged and tested appropriately;
- ensure that the strategic and operational direction of the Board is a considered one, of an appropriate high standard in accordance with best practice and guidance;
- ensure the Local Pension Board members apply best practice in their roles;
- enable the demonstration of good and robust governance “in action”, and clear identification of pension fund risks, understanding how to effectively monitor and mitigate those risks;
- comply with the various Codes of Practice and best practice/minimum standards; and
- demonstrate high level of governance and standards, comparing positively with peer group Funds in the Scheme Advisory Board KPI programme.

As part of the Board’s training programme, some Members of the Board have met and discussed with Mercer particular areas in which they wish to gain greater understanding in order to fulfil their oversight role. In particular Pensions Board members identified the actuarial valuation process as a particular item of interest.

Following these discussions Board members have attended Pensions Committee meetings dealing with all aspects of the actuarial valuation, including the development of the new Investment Strategy which was first considered at a special meeting of the Pensions Committee on 22 February 2017.

Members of the Pensions Board have attended meetings of the Pensions Committee, and have also attended the training sessions provided before each Committee meeting.

At its February 2017 meeting the Board considered and approved revised Terms of Reference which proposed that substitute members be included in the Board's training programme. In the last few months a new Member has joined the Board and there remains a vacancy for an additional employer's representative. Officers will continue to work with Board members to evaluate their requirements and propose a training programme.

Opportunities to gain access to on-line training facilities provided by CIPFA and the Pensions Regulator are currently being investigated and an update will be provided to Board members at the meeting.

Since the last meeting of the Board the following training session has been attended by Board members:

- 17 October 2018 prior to the meeting of the Pensions Committee: Credit Opportunities – attended by Members of the Committee and Geoff Smithson

### **3. Financial and Legal Implications**

The costs incurred by Board members in attending training courses and associated materials will be met by the Pension Fund.

The costs incurred in providing personalised training plans for Board members will be met by the Pension Fund.

The Public Service Pensions Act 2013 introduces the framework for the governance and administration of public service pension schemes and provides regulatory oversight by the regulator. The Pensions Regulator has set out the legal requirements in respect of the knowledge and understanding pension board members must possess for the effective governance and administration of public service pension schemes. The Regulator has published a Code of governance and administration of public sector pension schemes. The Code, which came into force in April 2015, is directed at scheme managers and members of pension boards of public sector pension schemes

**Contact Officer:** Terry Pearce, Treasury Manager, ext 3083

## PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019

### FUND COMMUNICATIONS POLICY UPDATE

#### SUMMARY

This report provides an update on ongoing work to review the Fund's communication policy.

#### Introduction

The Local Government Pension Scheme (LGPS) Regulations require administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with scheme members, scheme members' representatives, prospective scheme members and their employing authorities.

Sections 2 and 3 of this report outline Bexley's communication policy which is published on the website [www.yourpension.org.uk/Bexley/Investments/Policies](http://www.yourpension.org.uk/Bexley/Investments/Policies)

Section 4 provides an update on ongoing work to review the implementation of the policy.

#### Principles

- To provide clear and consistent information reducing the potential for confusion and uncertainty.
- To provide timely and accurate communications and a proactive information service that is factual and precise.
- To undertake customer satisfaction surveys and to act upon feedback and comment.
- To use the most appropriate communication medium for the customer audience
- To address, where possible, the requirements of a diverse customer base with regard to information access

#### Method

The administering authority will deliver its communications policy, in partnership with the London Pensions Fund Authority (LPFA – the Council's pension scheme administrators), by the following methods:

##### Scheme Members and Representatives

- Access to the website [www.yourpension.org.uk/bexley](http://www.yourpension.org.uk/bexley) which contains scheme details, news items, annual reports and guides to the scheme with links to other relevant organisations and the option of viewing personal details via a secure logon.

- A comprehensive range of scheme literature is available from the LPFA or accessible from the website.
- Members, including pensioners and deferred members, will be able to access the Annual Report on the website each year. This provides an overview of any changes to the scheme and a report of the Fund's performance.
- Current and deferred scheme members will receive a Benefit Statement each year detailing the current value of their benefits.
- Pensioners will be given access to their personal details and electronic payslips via the LPFA's secure website.
- An individual annual pension statement will be sent to all pensioners in April each year. This will notify them of the paydays for the next twelve months and detail their gross pension payable including any relevant pensions increase.
- P60 statement of earnings will be available via the LPFA's secure website, and a paper copy will be sent to pensioners by the end of May each year – if they opt for this method.

#### Prospective Members

- A short scheme guide is available via the website [www.yourpension.org.uk/bexley](http://www.yourpension.org.uk/bexley) for prospective employees.
- The website also contains information relating to joining the LGPS and the right to opt-out.

#### Scheme Employers

- An Employer Forum will be held each year where employers will be informed on changes to the scheme and current topics of interest.
- Regular contact will be maintained to ensure prompt communication of changes to the scheme and topical issues as they arise will be featured as news items accessible via the website [www.yourpension.org.uk/bexley](http://www.yourpension.org.uk/bexley)
- An 'employers pack' detailing the interactions between the administering authority and employers will be provided and maintained.
- Access to a secure portal for Employers via the website for transmission of data to the LPFA as and when required.

### **Communications Policy Review**

Local Pensions Partnership (LPP) are currently sub-contracted by London Pensions Fund Authority (LPFA) to undertake pensions administration work on behalf of the London Borough of Bexley. The contract for administration was sub contracted to LPP in 2016 following LPFA's partnership with Lancashire Pension Fund and their decision to provide an administration service.

Currently work is undertaken in accordance with the terms of the original contract signed with LPFA in 2014, which is due to run until 2021. LPP have provided Bexley with a detailed proposal on what services they can offer under the new partnership and discussions surrounding this new arrangement are still ongoing.

On 14 May 2018 The Local Government Pension Scheme (Amendment Regulations) came into force. In addition to a series of technical amendments, these regulations permit deferred members who left the scheme prior to 1 April 2014 to voluntarily access their benefits from age 55 (with reductions applied) without the need for the

consent of their former employer. This amendment was to ensure leavers prior to April 2014 have the same flexibilities to access their benefits as deferred members under the current scheme.

Under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 we are required to notify affected members within 90 days where a material change to the scheme occurs. We identified that this change affected 5309 members. At the end of July each member was sent a bespoke letter based on when they left the scheme and whether they were under or over age 55 advising of the changes.

The amendment regulations published in May contained an unintended drafting error which meant members who left the scheme prior to 1 April 1998, were not able to draw their benefits from age 55 as intended. On 10 January 2019 the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 were published which corrected the error. We identified that this change affected 130 members and these were sent a bespoke letter advising them of the change at the end of February.

## **5. Summary of financial implications**

The costs of communications from the pension fund are met by the pension fund. Communications from individual employers around pensions matters generally are met directly by those employers.

## **6. Summary of Legal Implications**

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.

There are legislative requirements including the Public Service Pensions Act 2013 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 which require the administering authority to disclose information regarding scheme administration and benefits to scheme members and others.

<b>Contact Officer:</b>	Richard Smyth, Pensions Consultant, Ext: 4592
<b>Reporting to:</b>	Mandy Vennard, Head of HR Delivery, Ext: 4101



## PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019

### RISK REGISTER FOR THE PENSION FUND

#### SUMMARY

This report provides an update on the latest risk register for the Pension Fund for the Board to consider.

#### 1. Introduction

At its January 2017 meeting the Board considered the Pension Fund risk register. It was agreed that the risk register would be reviewed annually by both the Pensions Committee and the Board. The Pensions Committee meeting in July 2019 will consider an annual review of the risk register as part of its Business Plan.

The risk register has been reviewed by officers and an updated risk register is attached as an Appendix for the Board's information. The Pension Fund risk register is also included as a section within the Council's risk management monitoring procedures.

#### 2. Financial Implications

There are no implications arising directly from this report.

#### 3. Legal Implications

Section 249B of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

- (a) in accordance with the scheme rules, and
- (b) in accordance with the requirements of the law

Internal controls are defined in the Act as:-

- (a) arrangements and procedures to be followed in the administration and management of the scheme,
- (b) systems and arrangements for monitoring that administration and management, and
- (c) arrangements and procedures to be followed for the safe custody and security of the assets of the scheme;

The Pensions Regulator is required to issue a code of practice for this under section 90A of the Pensions Act 2004. Under the Code referred to in section 2 of this report, identified risks should be recorded in a risk register and should be reviewed regularly. Paragraph 105 of the Code states that:-

“Scheme managers must establish and operate internal controls. These should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary”

Section 5 of the Public Services Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 places a responsibility on the Board to assist the administrating authority with the above matters.

**Contact Officer:** Terry Pearce, Treasury Manager 020 3045 3083

Operational Risks

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Operational disaster (fire/flood etc)	F	2	Business continuity procedures in place for administrator	LPP business resilience plan was checked December 2017.		Head of HR Delivery
			Business continuity plans in place for scheme manager	Finance business continuity plan updated in February 2016. HR business continuity plan December 2018.	12/19	Pensions Manager/Head of HR Delivery
			Contracts with all advisers and suppliers are recorded on a central database	Contracts held in hard copy in legal document store, and electronically on relevant area of Council server		Head of Legal Services
Member data incomplete or inaccurate	C	3	Report from administrator, used as basis for continual update	Report awaited following analysis of employer end of year returns	03/19	Head of HR Delivery
			“Not known at this address” returns from annual statements	Tracing agencies used to locate pension fund members		Head of HR Delivery



London Borough of Bexley Pension Fund – Risk Register

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Administration process failure or maladministration	D	2	Formal agreement in place with administrator, including SLAs	Last awarded April 2014. Seven year agreement.		Head of HR Delivery
			Authority levels clearly agreed and kept up to date.	Agreed as part of April 2014 contract		Head of HR Delivery
			Review independent auditor's report of administrator's processes	Annually		Head of HR Delivery
			Ongoing dialogue with administrator	Any issues are raised on an ad hoc basis, and reviewed at quarterly meetings; next meeting is in April 2019.	04/19	Head of HR Delivery
			Written reports and presentations by administrator to scheme manager	Formal contract review meetings held quarterly. Monthly contract reports submitted.		Head of HR Delivery
			Complaints addressed through Council complaints system or Independent Dispute Resolution Procedure	Complaints are analysed to inform changes to systems where necessary		Pensions Manager/Head of HR Delivery



**Financial Risks**

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Excessive charges by suppliers	E	4	Annual review of fund budget	Annual budget included in annual report July 2018.  Quarterly review reported to Pensions Committee.	07/19	Pensions Manager/Head of HR Delivery
			Review of scheme suppliers at tender stage and during contracts	Fee invoices are checked when received		
Fraud or fraudulent behaviour	F	1	Monthly check of contributions payments against schedules	Monthly on receipt		Head of HR Delivery
			Reconciliation of pension fund bank account	Daily reconciliation and monthly statements produced		Pensions Manager
			Data matching exercises are carried out to identify discrepancies	Bi-annual National Fraud Initiative currently underway for 2018/19	20/21	Head of HR Delivery
			Atmos Mortality Screening	Undertaken monthly in line with payroll deadlines.		Head of HR Delivery
			Pension fund administration and Pension fund management is reviewed periodically by internal audit	Latest reports were issued in February 2019.		Pensions Manager/Head of HR Delivery



**Funding Risks**

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
The Fund's assets are not sufficient to meet its long term liabilities	C	2	Assets and liabilities are assessed at triennial valuations	The last valuation was as at 31 March 2016.	3/19	Pensions Manager/Head of HR Delivery
			The Funding Strategy Statement is reviewed in line with the triennial valuation to ensure asset allocation is appropriate	The latest triennial asset allocation review was reported to the Pensions Committee in February 2017	2/20	Pensions Manager
			The Fund's funding level is assessed on a regular basis	The actuary provides regular reports on funding levels	3/20	Pensions Manager
The number of early retirements exceeds actuarial assumptions	D	3	Employers meet the strain cost of non ill health retirements	Invoiced periodically as costs arise		
			Ill health retirements are monitored and factored into future valuations	Experience in 2017/18 was reported to Pensions Committee in July 2018	7/19	Head of HR Delivery
Structural changes in an employer's membership leads to non-recovery of past service deficits	D	4	Past service deficits are recovered on a cash basis rather than percentage of payroll	Basis set at 2016 valuation	3/19	Pensions Manager



London Borough of Bexley Pension Fund – Risk Register

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Insufficient assets to meet short term liabilities	D	2	Investment income meets difference between pensions paid contributions received	Budgets are set for each year in the valuation cycle		Pensions Manager
			Cash flow is monitored on a daily basis and withdrawals made from fund managers when necessary	n/a		Pensions Manager
			Most investments are liquid, and are held in custody at arms length to fund managers	Percentage is disclosed in annual report		Pensions Manager
			The 2009 LGPS regulations give pension funds powers to borrow for up to 90 days	n/a		
General fall in investment returns as economy is on a downturn	D	2	Asset allocation is diversified to withstand short term volatility and is made on the basis of long term returns	Investment performance is reported quarterly to Pensions Committee	07/19	Pensions Manager
Fund managers fail to achieve benchmark returns for their mandate	C	3	Diversification of managers and asset allocations mitigates the impact of one manager under-performing	Asset allocation - the latest review was reported to the Pensions Committee in February 2017	2/20	Pensions Manager
			Investment advisors and Pensions Committee keep managers under review. Officers meet with managers in between Pensions Committee meetings	Investment performance is reported quarterly to Pensions Committee	07/19	Pensions Manager



London Borough of Bexley Pension Fund – Risk Register

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Employer failure to pay contributions into scheme	D	3	Monthly monitoring of contribution payments	98% of contributions for 2017/18 were paid on time	04/19	Head of HR Delivery
			Dialogue with employers over payment procedures	Procedures available on employers' section of website.		Head of HR Delivery
			Annual audit	Accounts for the year to 31 March 2018 signed off by auditors without qualification.		Pensions Manager
			Overdue contributions are actively chased from employers	Contributions are monitored on a monthly basis		Head of HR Delivery
Failure of employers	D	2	Use of bonds and guarantees	Where appropriate bonds are updated annually and guarantees are still in place		Pensions Manager
			Deficit recovery periods are set taking contract lengths into account	Deficits are reviewed at each triennial valuation	3/19	Pensions Manager



**Regulation and Governance Risks**

Risk	Risk Likelihood	Risk Impact	Control Measures	Latest Review	Next Review	Risk Owner
Failure to interpret rules or legislation correctly	E	3	CIPFA have issued a Code of Practice on the knowledge and skills framework for the pension fund. The Director of Finance and Resources ensures that the Code is implemented	Compliance was reported in the pension fund annual report in July 2018.	7/19	Director of Finance and Resources
			Pensions Board members have up to date training log showing completion of scheme specific and Pension Regulator educational material	Training log for Pension Board members is continually updated		Pensions Manager
			Pensions Committee members receive regular training. Induction training is available for new members	Training on Property and Infrastructure provided to March 2019 Committee	07/19	Pensions Manager
			Suitably qualified staff are appointed. Continuous professional development through professional bodies and other networks	Where appropriate annual staff appraisals completed May 2018	5/19	Pensions Manager/Head of HR Delivery
			Technical advice and updates are made available from actuarial and investment advisors	Updates received from DCLG Scheme Advisory Board and professional advisors are communicated to relevant staff and members		Pensions Manager/Head of HR Delivery
Conflicts of interest	E	3	Pension Board awareness of legal responsibilities	All Pensions Board members have attended training courses.		Pensions Manager
			All Pensions Board members to declare actual and potential conflicts	Register of interests completed at last Board meeting. Standing item on each Board agenda.		Head of Democratic Services



London Borough of Bexley Pension Fund – Risk Register

Non-compliance with LGPS investment regulations	F	1	Managers are provided with the Fund's Statement of Investment Principles and mandates are clear	Managers reports are regularly inspected		Pensions Manager
			Managers assurance reports are reviewed	Completed as part of annual accounts process		Pensions Manager
Failure to comply with Pension Fund accounting requirements	E	3	Staff training maintained and knowledge kept up to date	CIPFA Pensions Conference event attended November 2017		Pensions Manager
			Internal and external audit reviews	Accounts were signed off as unqualified at 31 March 2018	7/19	Pensions Manager
Regulatory change	B	1	Monitor and respond where appropriate to Government consultations. Update reports to Pensions Committee on new developments	Officers attend Pension Officers Forum and Technical Group and CIPFA Pensions Network events to keep updated on issues.		Pensions Manager/Head of HR Delivery
Failure to report breaches of the law to the Pensions Regulator	D	2	Pensions Board, Pensions Committee and employees all made aware of the Pensions Regulator's requirements and the breaches procedure	Annual Report to Pensions Board September 2018	9/19	Pensions Manager

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London Borough of Bexley Pension Fund – Risk Register

Bexley uses a 4 x 6 matrix to plot probability and impact and has set its risk appetite. The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk. Risks in the amber and red zones are those over which closer control is needed.

Probability	A				
	B				
	C				
	D				
	E				
	F				
		4	3	2	1
		Impact			

**Risk Probability**

- F = Very Unlikely
- E = Unlikely
- D = Possible
- C = Likely
- B = Very likely
- A = Certainty

**Risk Impact**

- 4 = Negligible
- 3 = Moderate
- 2 = Serious
- 1 = Major





## PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019

### BUSINESS PLAN 2019/20

#### **SUMMARY**

This report proposes a Business Plan for 2019/20 for the Board to consider.

#### **1. Introduction**

The Board's terms of reference currently suggest that it should have at least two meetings a year. It is up to the Board to consider the matters it will discuss at these meetings, although there may be items that the Pensions Committee will request it to consider as part of the role in ensuring suitable governance of the Pension Fund.

The "Guidance on the creation and operation of Local Pension Boards in England and Wales" issued by the Local Government Association on behalf of the Department for Communities and Local Government includes examples of matters that pension boards might consider.

In 2015/16 which was the first year of the Board's existence, the majority of the tasks undertaken by the Board involved appreciation and understanding of all aspects of the administration of pensions in Bexley. The Business Plan for 2018/19 further built upon these foundations.

A proposed Business Plan for 2019/20 is detailed below for comments from Board members.

#### **2. Business Plan 2019/20**

##### **(a) Appraisal of Pensions Committee Reports**

The Board will consider the reports and decisions of the Pensions Committee at each meeting as part of its governance role. This role also assists the Board in seeing the full range of items considered by the Committee and help inform decisions about areas to review during the year.

##### **(b) Knowledge and Understanding Framework**

Continuing development will include a focus on issues raised during training sessions and Pensions Committee meetings attended by Board members. Over the year the Board will receive regular updates.

**(c) Fund Communications**

The Board will consider an update on communication with Pension Fund members and whether other funds adopt different approaches. Board members will also have their own ideas to feed into the process.

**(d) Risk Register**

Pension Fund risks are currently managed as part of the Council's overall risk management process, which is a continual process. In addition to this separate documentation identifying these risks from a pension fund point of view has been developed for the Pension Fund and is regularly monitored by the Board.

**(e) Annual Report**

As part of the accountability of the Board itself it produces a short account of its work each year for inclusion in the Pension Fund's Annual Report.

**(f) Draft Business Plan**

These items could then come forward to the Board's meetings as follows:-

October 2019

Knowledge and Understanding Framework  
Fund Communications – review  
Annual Benefit Statements Update  
Pensions Board Annual Report  
Risk Register – review and monitoring  
Appraisal of Pensions Committee reports

March 2020

Knowledge and Understanding Framework – proposed policy  
Fund Communications – draft proposals  
Risk Register – review and monitoring  
Appraisal of Pensions Committee reports

**3. Financial and Legal Implications**

There are no implications arising directly from this report.

**Contact Officer:** Terry Pearce, Treasury Manager, ext 3083

## PENSIONS BOARD FOR BEXLEY – 26 MARCH 2019

### APPRAISAL OF PENSIONS COMMITTEE REPORTS

#### SUMMARY

The minutes of Pensions Committee meetings are provided as Appendices for information.

#### 1. Introduction

The minutes of the Pensions Committee meetings of 17 October 2018 and 5 December 2018 can be read in conjunction with the full Pensions Committee papers which are available on the London Borough of Bexley's website.

#### 2. Minutes of Pensions Committee, 17 October 2018 and 5 December 2018

The minutes of the Pensions Committee meetings held since those reported to the last Pensions Board meeting are attached as Appendices.

The full papers for the Pensions Committee meeting can be accessed on the London Borough of Bexley's website at:

<http://democracy.bexley.gov.uk/ieListDocuments.aspx?CId=146&MId=27916&Ver=4>

#### 3. Financial and Legal Implications

There are no implications arising directly from this report.

**Contact Officer:** Terry Pearce, Treasury Manager, ext 3083.



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**PENSIONS COMMITTEE**

17 October 2018

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At a meeting of the PENSIONS COMMITTEE held at PUBLIC GALLERY WEST - CIVIC OFFICES on WEDNESDAY, 17 OCTOBER 2018 at 7.30 pm

Present: Councillor Steven Hall (Chairman);  
Councillors Gareth Bacon, Richard Diment, Joe Ferreira, Dave Putson,  
Adam Wildman (Vice-Chairman) and Nick O'Hare (Substitute)

**14. APOLOGIES FOR ABSENCE AND SUBSTITUTE MEMBERS**

(Agenda Item No. 1)

Apologies were received from Councillor Cafer Munur and Caroline Newton and Councillor Nick O'Hare attended as a substitute for Councillor Newton. Apologies were also received from Julia Peacock, the Pensioners' Representative.

**15. MINUTES OF THE MEETING HELD ON 25 JULY 2018**

(Agenda Item No. 2)

RESOLVED – That the minutes of the meeting held on 25 July 2018 be agreed as a correct record.

**16. DECLARATIONS OF INTERESTS AND DISPENSATIONS**

(Agenda Item No. 3)

Councillor Richard Diment declared that his wife receives a small pension from the Bexley Fund.

**17. ITEMS OF LATE BUSINESS**

(Agenda Item No. 4)

There were no items of late business.

**18. EXCLUSION OF THE PRESS AND PUBLIC**

(Agenda Item No. 5)

RESOLVED – That the press and public be excluded from the meeting during consideration of the exempt appendices relating to Agenda Items 6 and 7 because consideration of these matters in public would disclose information falling within one of the categories of exempt information contained in Schedule 12A to the Local Government Act 1972, as specified in Minutes 18 and 19 and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**19. PENSION FUND INVESTMENT PERFORMANCE - QUARTER ENDED 30 JUNE 2018**

(Agenda Item No. 6)

The Committee had resolved, as recorded in Minute 17 above, that the press and public be excluded from the meeting during consideration of the exempt appendices to this item because consideration of this in public disclosed information falling within paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information) – of Schedule 12A to the Local Government Act 1972, which in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee received a presentation on the investment performance of the Pension Fund from the Council's investment advisers, Aon Hewitt. Mr Colin Cartwright gave a review of markets during the quarter and subsequently and Mr Josh Tipper summarised the performance of each of the Fund managers during the quarter. The Committee asked officers to attempt to negotiate lower fees with Aberdeen Standard, following Aon Hewitt's decision to move the GARS fund from Buy to Qualified status

The Committee then received a presentation from Mr Dave Sapsford and Ms Catriona Allen from Aviva. They set out the implications for the Bexley Fund of the sale of the Real Estate Multi-Manager business to LaSalle Investment Management. Members were advised that Catriona Allen, along with the entire team, would be transferring to LaSalle on 5 November. Ms Allen set out the performance of the portfolio over 1, 3 and 5 years and set out her view on current market conditions.

Finally the Committee received a presentation from Mr David Moylett and Mr Jeff Monroe from Newton. They outlined the performance of the Global Equity Fund and their strategy going forward, including any lessons learned from their difficult year in 2016.

## **20. INVESTMENT STRATEGY REVIEW - TRANSITION PLANNING** (Agenda Item No. 7)

The Committee had resolved, as recorded in Minute 17 above, that the press and public be excluded from the meeting during consideration of the exempt appendix to this item because consideration of this in public disclosed information falling within paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information) – of Schedule 12A to the Local Government Act 1972, which in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee considered a report on the next stage of the transition to the new Fund benchmark. This involved reviewing the current bond portfolio and selecting funds available on the London Collective Investment Vehicle (CIV) that are consistent with the Fund's strategy for fixed income and Aon Hewitt had reviewed the 5 bond funds and their associated strategies. The Committee received a presentation from Mr Michael Burns of PIMCO on their Global Bond Strategy Fund which is available on the London CIV and was the fund recommended by Aon Hewitt. Members were able to ask questions of Mr Burns, as well as Larissa Benbow and Will McBean from the CIV.

The following motion was moved, seconded and carried without dissent:

RESOLVED – That the Committee approves the reallocation of Global Bonds strategy investments from the Blackrock FIGO Fund and the Newton Dynamic Bond Fund to the London CIV Global Bond Strategy Fund (PIMCO).

## **21. LONDON CIV UPDATE** (Agenda Item No. 8)

The Committee received an update on the latest developments at the London CIV and were able to ask questions of Larissa Benbow and Will McBain. Members noted that the majority of the vacant posts at the CIV have now been filled and that an infrastructure fund is due to launch at the end of the year.

**22. BUDGET MONITORING AND CASH FLOW FORECAST 2018-19**  
(Agenda Item No. 9)

The Committee considered a report providing an update on forecast expenditure and income for 2018/19. The report also proposed an update to the Pension Fund Treasury Management Strategy in order to have the option to keep cash required for investments and for liquidity purposes, in less volatile assets to avoid any loss of capital.

The following motion was moved, seconded and carried without dissent:

RESOLVED – That the revised Pension Fund Treasury Management Strategy statement be approved.

**23. ADMINISTRATION AND INVESTMENT UPDATE**  
(Agenda Item No. 10)

The Committee considered a report providing an update on various administrative and investment issues. The Committee was pleased to note the outcome of a review by the Government Actuary's Department (GAD) of all LGPS funds which indicated that Bexley's Fund is meeting GAD's four principal objectives: compliance with the LGPS regulations; consistency of approach with other Funds and advisers; solvency of the Fund and long term cost efficiency of the Fund. The Committee was advised that the Funding Strategy Statement is currently being reviewed by Mercer, the Fund's actuary, to take account of new regulations which introduced 'exit payments' for the Fund to employers who leave the Fund and are assessed as being in surplus by the actuary. The report also advised that, following a full due diligence assessment of the Standard Life GARS Fund, Aon's Investment Manager Research Team had downgraded their overall rating from Buy to Qualified status. This was because, in their view, the strategy will struggle to deliver on its return target going forward.

The following motion was moved, seconded and carried without dissent:

RESOLVED – That the Director of Finance and Corporate Services be given delegated authority, in consultation with the Chairman of this Committee, to update the Funding Strategy Statement and carry out consultations with relevant parties and to present a revised Statement for approval at the next meeting.

**24. LOCAL GOVERNMENT PENSION SCHEME - GMP RECONCILIATION UPDATE**  
(Agenda Item No. 11)

The Committee received a report presenting the background to the GMP exercise and providing an update on progress made to date.

*The Committee rose at 10.50pm*



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**PENSIONS COMMITTEE**

5 December 2018

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At a meeting of the PENSIONS COMMITTEE held at PUBLIC GALLERY WEST - CIVIC OFFICES on WEDNESDAY, 5 DECEMBER 2018 at 7.30 pm

Present: Councillors Richard Diment, Andy Dourmouh, Joe Ferreira, Steven Hall (Chairman), Caroline Newton, Dave Putson and Adam Wildman (Vice-Chairman).

Also Present: Mr Colin Cartwright and Mr Josh Tipper - Aon Hewitt  
Mr Sergio Jovele and Mr Sean Dryden – Partners Group  
Mrs Julia Peacock – Pensioners' Representative

**24. APOLOGIES FOR ABSENCE AND SUBSTITUTE MEMBERS**  
(Agenda Item No. 1)

Apologies were received from Councillor Gareth Bacon and Councillor Andy Dourmouh attended as his substitute. Apologies were also received from Geoff Smithson, Chairman of the Pensions Board.

**25. MINUTES OF THE MEETING HELD ON 17 OCTOBER 2018**  
(Agenda Item No. 2)

RESOLVED – That the minutes of the meeting held on 17 October 2018 be agreed as a correct record.

**26. DECLARATIONS OF INTERESTS AND DISPENSATIONS**  
(Agenda Item No. 3)

Councillor Richard Diment declared that his wife receives a small pension from the Bexley Fund and Councillor Andy Dourmouh declared that a member of his family is an employee of the London Borough of Bexley.

**27. ITEMS OF LATE BUSINESS**  
(Agenda Item No. 4)

There were no items of late business.

**28. EXCLUSION OF THE PRESS AND PUBLIC**  
(Agenda Item No. 5)

RESOLVED – That the press and public be excluded from the meeting during consideration of the exempt appendices relating to Agenda Items 7, 8 and 10 because consideration of these matters in public would disclose information falling within one of the categories of exempt information contained in Schedule 12A to the Local Government Act 1972, as specified in Minutes 30, 31 and 33 and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**29. TRAINING UNDERTAKEN BY PENSIONS COMMITTEE MEMBERS**  
(Agenda Item No. 6)

The Committee received a report summarising the training undertaken by Committee members. Members were advised that the skills questionnaires they had completed

would be used to identify knowledge gaps and training would then be arranged accordingly. It was queried whether any online training was available and Aon Hewitt indicated that they had previously offered this and would see if they still had anything available. It was also reported that CIPFA have a financial services course that people can complete at their own pace and it was agreed that this would be looked into.

**30. PENSION FUND INVESTMENT PERFORMANCE - QUARTER ENDED 30 SEPTEMBER 2018**  
(Agenda Item No. 7)

The Committee had resolved, as recorded in Minute 28 above, that the press and public be excluded from the meeting during consideration of the exempt appendices to this item because consideration of this in public disclosed information falling within paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information) – of Schedule 12A to the Local Government Act 1972, which in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee received a presentation on the investment performance of the Pension Fund from the Council's investment advisers, Aon Hewitt. Mr Colin Cartwright gave a review of markets during the quarter and subsequently and Mr Josh Tipper summarised the performance of each of the Fund managers during the quarter.

The Committee then received a presentation from Mr Sergio Jovele and Mr Sean Dryden from Partners Group. They set out the performance of the various vintages that the Pension Fund is invested in and reported that every £1 invested with Partners is now worth £1.68, which represented a 12.2% annualised net return since inception. They also modelled how additional commitments of £30m, £40m and £50m would affect the portfolio. Mr Jovele was questioned on the amount paid in fees. He did not have this information to hand but agreed to provide it to Members at a later date.

**31. INVESTMENT REVIEW - PRIVATE EQUITY**  
(Agenda Item No. 8)

The Committee had resolved, as recorded in Minute 28 above, that the press and public be excluded from the meeting during consideration of the exempt appendices to this item because consideration of this in public disclosed information falling within paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information) – of Schedule 12A to the Local Government Act 1972, which in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee considered a report proposing options for maintaining the Fund's allocation to private equity at its target allocation of 7%. It was reported that, without additional commitments, this allocation would fall significantly to under 5% over the next two years as the private equity investment portfolio matures.

The following motion was moved, seconded and carried without dissent:

RESOLVED – That the Committee approves commitments of EUR 30 million in the PG Direct Investments Fund 2019.

**32. BUDGET MONITORING AND CASH FLOW FORECAST 2018-19**  
(Agenda Item No. 9)

The Committee received a report providing an update on forecast expenditure and income for 2018/19. It was reported that Bexley Council had prefunded 3 years employer contributions in 2017. Although this was good for the Fund as that money could be invested, it had resulted in a forecast cash deficit of £9.5m. To date this deficit had been made good by divestment from the Aberdeen Standard GARS fund. Given the proposal in a later agenda item to divest from this Fund, Members were reassured that 80% of the Pension Fund was very liquid and there would be no difficulty in meeting the shortfall.

**33. ADMINISTRATION AND INVESTMENT UPDATE**  
(Agenda Item No. 10)

The Committee considered a report providing an update on various administrative and investment issues. The Committee was advised that the Pension Fund Annual Report had now been published on the Pension Fund website and fund employers had been notified. Members were also updated on the implementation of the decision made at the last meeting to divest from the Blackrock FIGO and the Newton Dynamic Bond Fund and invest with the London CIV Global Bond Fund managed by PIMCO. It was reported that the first day of dealing for the new fund was 30 November 2018.

The report also updated the Committee on the latest position in relation to the Aberdeen Standard GARS fund. At the previous meeting, the Committee had been advised that Aon Hewitt had downgraded GARS to qualified status. Subsequently the Head of Multi-Assets had announced his retirement, prompting a further review by Aon Hewitt. As a result of this review, Aon Hewitt were now advising their clients to sell their holdings in the GARS fund, primarily due to the negative response expected from other investors and the uncertainty around the new management to be put in place early in 2019. The Committee considered options proposed by Aon Hewitt for investing the £69m currently in the GARS fund, pending the allocations to property and infrastructure to meet the revised strategic asset allocations.

The following motion was moved, seconded and carried without dissent:

RESOLVED – That the Committee agrees to divest from the Aberdeen Standard GARS fund and invest in the replacement strategy Option 4 - 2 recommended by the Fund's advisor in exempt appendix 1.

*The Committee rose at 9.37pm*

