

## LOCAL PENSION BOARD

Meeting held on Thursday 10 October 2015 at 2.45pm  
in Room F10, Croydon Town Hall, CR0 1NX

### WRITTEN MINUTES – PART A

- Present:** Mr Michael Ellsmore (Chair);  
Employer Representatives;  
Councillor Mike Selva, Mr Richard Elliot, Mr Jolyon Roberts  
Employee Representatives;  
Mr David Whickman, Ms Nana Jackson-Ampaw, Mrs Teresa Fritz
- In attendance:** Freda Townsend (Governance and Compliance Manager), Nigel Cook (Head of Pensions and Treasury), Richard Simpson (Assistant Chief Executive and s151 Officer).

### MEETING ADJOURNED

At 2.45pm, the Chair proposed, and Councillor Selva seconded, that the meeting be adjourned for 30 minutes to allow for the conclusion of a training session.

The Board **RESOLVED** to adjourn the meeting for 30 minutes.

The Board re-convened at 3.15pm.

### **A11/15 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **A12/15 CONFLICTS OF INTEREST**

There were none; however for transparency Teresa Fritz declared that she was now a permanent employee of the Money Advice Centre.

### **A13/15 URGENT BUSINESS**

There was no urgent business to consider.

## **A14/15 EXEMPT ITEMS**

It was agreed that item B2, with the exception of the Part B documents contained therein, would be moved to Part A. The remainder of the allocation of business between Part A and Part B of the agenda was confirmed.

## **A15/15 TRAINING PLAN (item 6)**

The Board discussed areas of training that were required. Four key areas were identified by the Board:

- Actuarial Valuations
- Benefits Structure
- Taxation
- Socially Responsible Investment

It was also raised that Unison delivered training specifically for Local Pension Boards designed for people with limited knowledge on the subject area.

## **A16/15 CONSULTATIONS (item 7)**

The Head of Pensions and Treasury delivered an oral report on recent consultations relating to the Local Government Pension Scheme (LGPS). The Chancellor at the Conservative Party Conference announced the government's intention to create six regional pools of LGPS money to invest in infrastructure. The goal was to save the LGPS millions of pounds on fees. The Head of Pensions and Treasury commented that a number of such programmes were already in place, for example the London CIV, the London Pension Fund Authority and the Pension Investment Platform. It was further commented that 5% of Croydon Scheme investments were already invested in infrastructure, and concern was raised regarding the risks of investment in very large scale infrastructure projects such as HS2. Considerable progress had also been made in reducing fees – with current investment fee levels down by a third.

Board members raised concern over investing too heavily in infrastructure projects as this would reduce the liquidity of the Scheme's assets. Board members also raised concern over Scheme investment decisions being out of local control.

The second consultation was Tax Relief – it was reported that this had been met with industry-wide opposition and has now been dropped by the government.

A consultation on capping the amount of redundancy and other exit payments in the Public Sector was also reported on. There were over four thousand responses and most were opposed to the proposals, primarily due to the unintended consequences, for example on early pension pay-offs, concerns echoed by Officers present.

The consultation on annual allowances was conveyed, noting that the size of pension pots has been reduced for the sixth time – now down to a quarter of a million pounds. The importance of educating Scheme members was emphasised, otherwise many will retire with a large tax bill.

The final consultation reported on was a KPMG project looking at the implications of proposals to change the role of the s151 Officer. The project was commissioned by the LGPS Advisory Board and was in response to a recent European Union Directive.

The Board **NOTED** the contents of the oral update.

#### **A17/15 ANNUAL BENEFITS STATEMENT (item 8)**

The Head of Pensions and Treasury delivered an oral report on this item. It was stated that since April 2015 the Scheme was now regulated by the Pensions Regulator. One requirement was to report breaches to the Regulator and it was reported that the Croydon Scheme had to report itself due to failing to meet the publishing deadline for the Annual Benefit Statement. The deadline was August and deferred members' statements had been published by that date. The expectation was to publish the outstanding statements by the end of October or early November. It was noted that every other scheme in the country had also failed to meet the deadline.

The Pensions Manager added that the reason for missing the deadline was a combination of receiving the required IT software late and issues with obtaining the correct data quality.

In response to questions from the Board the following was stated:

- In response to the breach, a phone call from the Regulator was received and assurances were made
- Local Government Association (LGA) guidance announced that the Regulator would be lenient on the deadline for 2015 but stricter thereafter. Individual employers who failed to provide the correct data for the statements were to be named in future.
- The expectation was for employers to provide the data by the middle of April as payroll would have been run by then thus making the data accessible.
- The Croydon Scheme is well positioned to meet the August deadline for 2016.

The Board **NOTED** the contents of the oral update.

#### **A18/15 EMPLOYER RISK STRATEGY (item 9)**

The Chair welcomed the report which was considered at the last Pension Committee, providing some objectivity to the issue. The Head of Pensions and Treasury added that the Employer Risk Strategy was another duty

arising from recent legislation, requiring an objective risk assessment of the covenant with employers in the Scheme. The Board's attention was drawn to page 14 where a timetabled work plan had been drafted. The Board were informed that recruitment was currently taking place for a staff member with a core duty to build relationships and dialogue with Scheme employers.

Some concern was raised by the Board regarding the fees for the work by Hymans Robertson. The Board were informed that the Scheme had a costing framework with Hymans and the fees were calculated on an agreed daily rate.

In response to questions from the Board, the Head of Pensions and Treasury considered the main benefit of the Strategy would be the ability to identify and focus attention on risk areas and thereby remain on the front foot if and when problems arise.

The Board **RESOLVED**:

- To note the contents of the report
- To receive the Employer Risk Strategy at the next Pension Board meeting

#### **A19/15 ASSET ALLOCATION REVIEW (item 10)**

The Chair introduced the report and drew the Board's attention to page 19 which included the current and proposed strategy by Aon Hewitt.

Given the discrepancies within the asset strategy the Board questioned the benefit of taking advice. The Head of Pensions and Treasury stated that regulations require the Scheme to take professional advice and Aon hold large resources providing the Scheme with considerable access to information.

In response to questions from the Board the following was stated:

- Attention was drawn to pages 20 and 21 which illustrated timescales for implementation of the strategy.
- Fixed interest assets were used to match the Scheme's liabilities, equities were utilised to provide growth to close the funding gap and alternates were used to boost attempts to close the gap. Whilst the latter contain a high degree of volatility this does not mean they are dangerous.
- As private equities mature they will generate cash which will help to reverse the current negative direction of cash availability.
- Private equities are valued by pedigrees, it is a difficult process as they are closed funds that stretch from seven to 20 years. An example of this is the scheme's investments in Facebook which only until very recently have started to generate money. There are very strict rules on valuation and thus tend to be conservative estimates.
- Officers were optimistic about private equity, particularly in America. Fund managers with a good record have been identified and the Pension Committee has confidence in the asset class.

The Board **NOTED** the contents of the report.

**A20/15**      **REPORT FROM THE LAST PENSION COMMITTEE** (item 11)

The Head of Pensions and Treasury explained that the targets set for Fund Managers were challenging; where fund managers regularly failed to meet targets they would be reviewed. One of the issues with fund managers was transparency on fees. Further resources need to be committed to dealing with this – whilst management fees are generally transparent, there are hidden fees under the surface that need to be scrutinised. In some cases this will be almost impossible – for example transaction fees where transactions are taking place at multiple times a second. The Board was in agreement that the more questions were raised by itself and the Pension Committee, the more it would encourage asset managers to be transparent on the issue.

In response to questions from the Board it was stated that benchmarking against other authorities was not possible as there is no such thing as an ‘average’ authority.

The Board **NOTED** the contents of the Pension Committee papers.

**A21/15**      **CAMERA RESOLUTION** (item 11)

The Chair proposed and Richard Elliot seconded the moving of the camera resolution.

The Board **RESOLVED** that the Press and Public be excluded from the remainder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12 A of the Local Government Act 1972, as amended.

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**SUMMARY OF PART B DISCUSSION**

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**A22/15**      The remainder of the meeting included disclosure of exempt information (as defined by paragraph 3 of Schedule 12A in Part 1 of the Local Government Act 1972: ‘Information relating to the financial or business affairs of any particular person (including the authority holding that information)’. The minutes of the discussion are therefore also exempt and not available to the public.

A summary of the discussion is below, as required by section 100C(2) of the Local Government Act 1972.

item B1: Pension Fund Governance Review

The Board **NOTED** the contents of the Part B report.

**The Meeting ended at 4.35pm.**

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