

Pension Board
Minutes of the meeting held on Thursday 1 December 2016 in Room F9, the
Town Hall, Katharine Street, Croydon CR0 1NX

DRAFT

Present: Mr Michael Ellsmore (Chair);

Councillor Humayun Kabir, Mr Richard Elliott, Mr Jolyon Roberts, Mr David Whickman, Mrs Teresa Fritz

Also present: Nigel Cook, Head of Pensions and Treasury; Freda Townsend, Governance And Compliance Manager; Fahar Rehman, Governance And Compliance Officer; Robbie McInroy and Stacey McLean (Hymans Robertson)

Absent: Ms Nana Jackson-Ampaw; Richard Simpson (Executive Director Resources and Section 151 Officer)

Apologies: Ms Nana Jackson-Ampaw; Richard Simpson (Executive Director Resources and Section 151 Officer)

A1 Disclosure of Interest

There were none.

A2 Urgent Business (if any)

There was no urgent business to consider.

A3 Exempt Items

The allocation of business between Part A and Part B was agreed as stated in the agenda.

A4 Minutes of the last meeting

The Board **RESOLVED** to approve the Part A minutes of the last meeting as a correct record.

A5 Pensions Software iConnect Project Update

The Head of Pensions and Treasury introduced the item and stated that the new software would improve how officers engaged with

scheme employers. It was a modest investment and would provide for long term savings and a better quality of service for members.

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

- The software was aimed more at larger employers and only approximately 15 employers, those with few staff, were not signed up to the pilot scheme.
- Accumulating the correct data from employers for the valuation has proved to be challenging; with the new system data collection should be easier.
- The new system would cut out the paper trail and instead employers would directly upload their data and ensure it is up to date.
- Officers were working on the assumption that payroll providers would charge employers for adoption of the new system but it was not expected to be a significant cost. The costs would be negotiated individually with each employer and the licence fee would not be included in the charges to employers.
- Many authorities were adopting the new software so it was expected that the larger contractors would be already prepared for the change as would larger payroll firms for academies. Use of the new system would not be compulsory but strongly recommended; for smaller employers, where the software would not be appropriate, an alternative spreadsheet had been produced.
- The roll-out of the new system would be introduced gradually starting in April 2017.
- There were potential efficiency savings for employers from the project.

The Board expressed general approval of the new system, with some reservations from one Board Member that cost might put off some scheme employers.

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

A6

Local Government Pension Scheme Regulations 2016

The Head of Pensions and Treasury introduced the item by stating that the investment regulations provided the Board with new responsibilities, which were dealt with at paragraph 3.9 of the report. These responsibilities were being met primarily through two strategies. Firstly, through the Fund's equity investments with L&G, who followed an investment principles policy that covered issues from supply chains to director's remuneration. Secondly, through the Fund's membership of the Local Authority Pension Fund Forum

(LAPFF), whom had a membership of over 50 funds with a value of £16 billion worth of assets the membership collectively held. This provided LAPFF with considerable voting power and allowed for direct lines of communication with CEOs from FTSE100 companies.

In addition, the Croydon Fund engaged on issues directly, such as the recent decision to exclude tobacco investments from the Fund's portfolio. Finally, it was stated that the recommendation as stated in the report should be amended to read, "to note" rather than, "to comment on".

The Board discussed the importance of encouraging the Pension Committee to formulate a formal policy, and that this document should be actionable and not simply a list of issues in the abstract. The Board also considered the importance that such a policy should be received by the Board for review and comments.

The Board **RESOLVED** to:

1. Note the extent to which its views on social, environmental and corporate governance factors should impact upon the Pension Committee's investment decisions.
2. Recommend to the Pension Committee that it formulate a policy based on the Regulation's guidance, and that this policy be sent to the Pension Board for review and comment.

A7 Pension Fund Governance Review Update

The Head of Pensions and Treasury introduced the item and directed the Board's attention to paragraph 3.2 of the report that listed the recommendations from the review and the progress made against those targets. The next big piece of work officers would be undertaking was the detailed review of the Fund's practices against the Pension Regulator's Code of Practice Number 14 - governance and administration of public service pension schemes.

In response to questions from the Board it was confirmed that the detailed review of the Code of Practice Number 14 would be completed by the middle of 2017 and would be included in the Board's work plan.

The Board **NOTED** the progress outlined in the report

A8 Annual Review of Terms of Reference

The Head of Pensions and Treasury introduced the item and directed the Board's attention to sections 12, 14 and 20 of the Terms of Reference and to comment on whether the Board believed these regulatory duties were being met.

In response to questions from the Board, officers stated the following:

- One breach had been reported to the Board, related to the delay in publication of the Annual Benefits Statement.
- In addition to internal training organised prior to Board meetings, information on external training for Board Members was circulated.
- Officers found the process of creating reports for Board meetings valuable and a transparent method in itself as it required senior management oversight from departments such as Finance and Legal

The Board discussed the statutory role it played and expressed agreement that the Board was fulfilling its duty and, unlike some other observed authorities, took the role of the Board seriously.

The Board **RESOLVED** to endorse the continued use of the existing Terms of Reference (the Rules of Procedure).

A9

Agenda papers of the last Pension Committee

The Head of Pensions and Treasury directed the Board's attention to item 6 of the Committee agenda that related to training that was similar to the training the Board had received prior to the meeting. In addition, attention was drawn to the Pension Board's Annual which was drafted by the Chair and received by the Committee.

The Board discussed a concern that had been raised at the June Committee meeting by a Board member (minute number A23/16), whom confirmed that it had been related to the communications strategy. This was then encapsulated in the resolves of a later item (minute number A25/16), at resolution 1.3.

The Board raised concern over the Fund's high exposure to gilts and bonds, in particular with sector concerns that fixed interest securities were overvalued and predicted to fall sharply. Officers reassured the Board that the issue was on the Committee's radar and the solution was to balance between meeting liabilities whilst also allowing growth to close the deficit. Officers also pointed out that the Pension Fund is currently underweight on Fixed Interest

investments.

The Board asked how private equity and infrastructure investments were being valued given the inherent difficulties in doing so in these sectors. Officers responded that the challenge with private equity valuation centred on the fact that certainty could only be ascertained once an invested company is listed by the market. An example proffered was Facebook, which was worth billions of dollars when it sold shares on the market, but prior to that could not be accurately valued. The main methodology to valuation prior to listing on the market was to consider the intellectual capital of companies. This therefore created a tendency to value conservatively. There had been a consistent, long-term approach to the valuation methodology and officers were content that it was prudent, and consistent with good practice as required by the Pension Fund Statement of Recommended Practice.

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

A10 [The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B of a meeting]

The CAMERA resolution was moved by the Chair and the Board **RESOLVED** to move the meeting into Part B and exclude members of the press and public for the remainder of the meeting

A11 Matters Arising

Jolyon Roberts drew the Board’s attention to the third page of the Part A minutes from the last Pension Board meeting. At the third bullet point of that page, it was stated that the overall figure of liabilities was not in dispute by the academies. This was either an inaccurate record of what was said or an incorrect statement, as the individual liabilities figures were still disputed by some scheme academies..

At 2pm Board Members received a training session on actuarial valuations from representatives of Hymans Robertson. The formal meeting of the Board commenced at 2.50pm at the conclusion of the training session. The meeting finished at 4.02pm.