

## **Pension Board**

Meeting held on Tuesday, 26 March 2019 at 2.00 pm in F10, Town Hall, Katharine Street,  
Croydon CR0 1NX

### **MINUTES**

**Present:** Michael Ellsmore (Chair);  
Richard Elliott, Teresa Fritz, Ava Watt and David Whickman

**Also Present:** Councillor Andrew Pelling  
Nigel Cook (Head of Pensions and Treasury)

**Apologies:** Councillor Jerry Fitzpatrick

### **PART A**

#### **13/19 Minutes of the Previous Meeting**

The minutes of the meeting held on 10 January 2019 were agreed as an accurate record.

It was noted that the governance review would be presented to the Board at its meeting in July 2019. The purpose of the review was to fulfil the self-assessment required for the administration of the fund. Councillor Pelling, the Chair of the Pension Committee, who was in attendance at the meeting of the Board, noted that whilst his name was on the review report he was yet to see it and review its contents.

#### **14/19 Disclosure of Interests**

There were no disclosures of pecuniary interests made.

#### **15/19 Urgent Business (if any)**

There were no items of urgent business.

#### **16/19 Administration Update**

The Head of Pensions and Treasury introduced the item highlighting that since the Pensions Manager had left the post there had been a dilution of reporting. Challenges were being faced in recruiting and retaining good staff; once new staff had received a good grounding in Local Government Pension Scheme they tended to move on. However, it was also reported that the volume of current cases was being well managed. The backlog of cases had resulted from the previous provider. A new provider was being considered which would allow a surplus of resource in addition to the recruitment of a new Head of Service being progressed. It was still being explored whether there

could be a technical solution allowing other scheme employers to update details to address some of the resourcing difficulties.

In response to a Member question it was established that recruitment to the Head of Service position was being brought together with the recruitment to a number of other vacant posts. There was support for this approach from Members although concern was expressed by the Chair regarding the lack of monitoring information provided.

**RESOLVED:** for the Chair of the Pension Board to write on behalf of Members to the Section 151 Officer to encourage recruitment to the Head of Service position.

#### **17/19 Cost Cap and the McCloud Case**

The Head of Pensions and Treasury briefly introduced the item. This was about the costs of the scheme being lower than expected. As a result, there was a need to determine whether to reduce contributions or increase benefits. It had been decided to do a mix – contributions were less at the lower end of pay scales. However, this had been challenged in the High Courts as it had been determined that this was benefitting one group of staff whilst disadvantaging others. As a result there was a chance that this would change the charging structure.

The Board noted the report.

#### **18/19 Scheme Advisory Board Horizon Scanning**

The Head of Pensions and Treasury introduced the item highlighting the letter from The Pensions Regulator on page 17 of the agenda pack. It was noted that that the regulator's approach to compliance was through education and improvement as opposed to enforcement.

In response the Chair highlighted the need to be compliant with the Public Service Pension Scheme Code of Practice 14. It was noted that this would be verified through the governance review and that it was important to check performance was not affected by other employers involved in the scheme (especially where other employers were responsible for any element of the scheme administration).

The Board noted the report.

#### **19/19 Consultation: draft statutory guidance on pooling assets**

The Head of Pensions and Treasury introduced the item explaining an informal consultation had been conducted on draft statutory guidance on asset pooling with a response drafted from the Section 151 Officer and Pension Committee. The report provided in the agenda pack looked at the likely consequences resulting from this change in the guidance.

It was noted that the guidance assumed passive rather than active management with assumptions around the size of investments not accurate. Also, that it had previously been rebutted that the Local Government Pension Scheme could invest in other pools.

It was reported how other funds had previously been redefined to make them acceptable to pooling. However, the draft guidance suggested an approach that would put these funds outside of pooling. The implications of the draft guidance may mean that the Council would move from a situation of having everything pooled to a position where just 10% of assets would be regarded as pooled. Concern was expressed that the Pension Fund may have incurred costs for pooling that may no longer be relevant.

The Head of Pensions and Treasury also noted that the London CIV was not covered by the terms of the Financial Services Compensation Scheme. However, it had new governance arrangements in place with a new CEO appointed with previous LGPS experience. A chief investments officer was being recruited along with another 20 additional posts – mostly to manage asset classes.

The Board noted the report.

#### **20/19 Risk Register Review**

The Head of Pensions and Treasury introduced the item. It was noted that there were no risks classed as red. A Board Member raised the issue of other employers potentially posing a risk to the scheme and asked officers to consider if the wording of the risk register needs to be update for this to be reflected.

The Board Members noted the report.

#### **21/19 Currency hedging**

The Head of Pensions and Treasury introduced the item highlighting that this was where income was being gained based on the difference in value of various currencies as opposed to the original value of the assets. However, it was thought that volatility in money markets would cease at some point and that there was a desire to capture some of the value gained before this occurred. It was reported the that Pension Committee had agreed to a 50/50 approach which was already being implemented by Legal & General – assets were being moved into a mirrored fund with a currency overlay. On this basis it would be possible to increase or decreased the size of the fund held in this way.

The Chair noted that it was likely that market volatility would continue for some time and that therefore some gain was potentially being deferred.

The Board noted the report.

## **22/19 Pension Board Forward Plan**

The Chair noted that the Board would take an item on the governance review at its meeting in July 2019 and that the item on Environmental, Social and Governance issues would be pushed back to the meeting in January 2020. With the actuarial review forthcoming, training for Board Members would be provided to dovetail with training to be provided to Members of the Pension Committee. Officers were to finalise the timing.

The Board noted the report.

**RESOLVED:** The Members of the Board delegated the production of the Board's Annual Report to the Chair and the Head of Pensions and Treasury.

## **23/19 Brexit: planning scenarios**

The Head of Pensions and Treasury introduced the item highlighting the difficulties of outlining the risks when there was no clarity on Brexit; if this was to be implemented and if so, how. In response to a Member question about the implications of a no deal scenario reassurance was provided based on passporting being available to the City of London. However, this might require additional resource and expertise to implement.

Additionally it was noted that there were pensioners who were resident in the EU with payment of their pensions made into British high street banks. In a no deal scenario, it may be that their fees would increase or would be subject to additions. It was unclear what could be done in such a scenario.

The Board noted the report.

## **24/19 Audit Plan for the Local Government Pension Fund**

The Head of Pensions and Treasury introduced the item. The audit plan had the same timetable and covered the same areas as in previous years. Whilst this was again to be delivered by Grant Thornton this would be through a new team and at a reduced cost. It was intended that the audit report would be presented to the Board at its meeting in July 2019.

It was described how a layered approach is taken to the delivery of the audit. The work undertaken by the internal audit team over the year was reviewed. The audit would also review systems and processes. This was a risk based approach that sought to minimise the reliance on either internal or external audit processes. The General Purposes and Audit Committee was the reporting body which received a quarterly report.

It was noted that the audit of the Pension Fund was to be conducted in May 2019.

The Board noted the report.

**25/19 Exclusion of the Press and Public**

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

**26/19 Property Asset Transfer**

The Board discussed the implications of the property asset transfer.

**RESOLVED:** To chase a response from the Section 151 Officer to gain reassurance that the Board had adequately discharged its duties.

The meeting ended at 3.16 pm

**Signed:**

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**Date:**

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