

## **Pension Board**

Meeting held on Thursday, 25 March 2021 at 2.00 pm .This meeting was held remotely via Microsoft Teams

### **MINUTES**

**Present:** Michael Ellsmore (Chair);  
Co-optees: Richard Elliott, Teresa Fritz, Daniel Pyke, Ava Payne and David Whickman

**Also Present:** Councillor Andrew Pelling  
Nigel Cook, Head of Pension and Treasury  
Victoria Richardson, Head of HR and finance Service Centre  
Gillian Phillip, Pension Manager

**Apologies:** Chris Buss. Director of Finance Investment and Risk

### **PART A**

#### **11/21 Apologies for absence**

Apologies received from Chris Buss, Director of Finance Investment and Risk.

#### **12/21 Minutes of the Previous Meeting**

The minutes of the meeting held on 14 January 2021 were agreed as an accurate record

#### **Matters Arising**

It was commented that at the meeting of October 2020, there were items that were requested to be placed on the work programme for the remainder of the Municipal year which had not been placed on the agenda for this meeting as suggested. Officers advised that the reason was due to difficulties in producing reports in accordance to corporate deadlines to the Pension Committee and Pension Board timetabled meetings. Officers have now completed a schedule which they will share which timetables when the items will be brought forward to the meetings in the coming Municipal year. It was also agreed for an action tracker to be produced and circulated to ensure that items were not missed off the agenda going forward and to track progress.

The ongoing lack of payment to the PLSA by the Council was discussed and officers acknowledged that there had been substantial problems with payment of invoices. The Chair of the Board asked that it be noted that there was embarrassment at the lack of communication by Croydon Council to the PLSA and failure to make payment.

### **13/21 Disclosure of Interests**

There were none.

### **14/21 Urgent Business (if any)**

There were no items of urgent business.

### **15/21 Reporting Contributions**

The Head of Pension and Treasury introduced the item and stated that this report followed on from the two previous reports that looked at the work completed by the Pensions Regulator. One of the areas highlighted as requiring further improvement was on the interrelationship with other scheme employers and the report sets out how to do that. It was added that the report set out processes that would inform the future direction of the work and at the next Board meeting, data and analysis on contributions would be presented. Any concerns would be included in the breaches register.

It was asked if any of the employers were in arrears and if a list could be provided to the Board. Officers said that the answer to the questions was more nuanced as some employers were in arrears whilst other were paying their contributions. The lack of payment by some was due to complication of calculations of contribution due to difficulties experienced in extraction of payment from payroll systems or change of hours, circumstances and pay of staff. This resulted in discrepancies on reconciliation between the contributions figures provided to the team and the calculations by the team which did not always equate to arrears or default of contribution. The main employer's contributions in question as set out in the report was in relation to Academies which was the subject of a court case.

It was commented that it was vital that visibility be maintained by the Board and in order for this to happen, officers should ensure that information and data was easily accessible. As a Board, interest was in accounts that exceeded 60 days old that had yet to be reconciled. In order to be reassured and confident that the system in place was working it was important to be supplied data to enable that judgement to be made and a simple arrears list should be presented to the next meeting of the Board. Officers agreed and committed to provision of this for the next meeting of the Board.

It was further highlighted that security of unpaid contributions was another item for further consideration and the Chair commented that this was an area that remained problematic for different reasons but agreed that should be added to the work programme for further exploration.

#### **RESOLVED:**

- I. The Board **AGREED** to note the contents of the report.
- II. That officers compile a simple arrears list to be presented at the next meeting.

## 16/21 Reports of Scheme Advisory Board and The Pensions Regulator

The Head of Pensions and Treasury introduced the item and the following was highlighted:

- A good governance project was underway
- The 95k Exit Cap was introduced and there was a situation with two sets of regulations that were in conflict. The Government had now made the decision to withdraw this and due to the amount of work and hours spent, the Fund would be looking at a request for the refund on the hours spent.
- The report contained the Lifetime allowance freeze consultation
- Climate and environmental risk as well as social and governance issues were areas of priority. The Pension Committee would be looking to firm up its position in all these areas. A paper would be presented to the next meeting which firms up processes on what they would look to achieve and how.

It was commented that on the Climate risks issue, the Board knows it's not the Council's policy but that of the administering body. This needed to be subtly referenced in written reports. The year ahead was focused on governance with a mini review of the Pension fund taking place. The Pension Advisory Board Good Governance project was also underway and it would be beneficial for a report to be presented to the Board on the impact of that on Croydon's assessment.

There was a clear recommendation from the Good Governance about having separate conflicts of interest policy and it had proved difficult to get the Pensions Committee to acknowledge the subtleties of this on the administrative body. This must remain an area of close scrutiny for the Board as well as the TPR regulators shift from code of practice 14 to a modular format.

Officers agreed with the points made and would pick this up in the work programme. The Council as well as other Local Authorities had been nonspecific in their approach by declaring a Climate Emergency but not how this would be addressed. The Pension Funds policy will look to be more specific, transparent and measurable.

A Member asked how much employers and members knew about the minimum pension age consultation and whether it was open to them to comment. Officers advised that they would look into this in further detail and whether it was something they should be notifying employers about.

In response to a question on how closely or aligned the Pension Fund was with the London CIV on the ESG and if there was a drive towards carbon neutral funds. Officers said that the London CIV had yet to publish anything on this although they had a team working on this specifically. The issue was that as this was a London wide project there were 32 members involved which meant there would always be an inherent problem in finding a common ground between the Local Authorities. The main area of concern for the local

authorities was not in the product itself but the support and the landscape of investment to ensure that they are not invested in a product of little or no value.

**RESOLVED:** The Board **AGREED** to note the contents of the report.

## **17/21 Key Performance Indicators**

The Head of HR and Service Centre introduced the report which updates the Board on the performance of the team. The Board was reminded that in December 2020 the Council issued a corporate voluntary severance scheme which meant there was increased demand of 200 pension's estimates for interested scheme members. The team delivered the 200 estimates within target timescales despite lack of resources. There remained areas of issues in the backlog of deferred benefit calculation for which a contract had now been signed with Hymans for clearance of this and they had been handed 2700 cases for analysis as to how to approach them. It was envisaged that there would be figures to be reported to the Board on progress at its next meeting. An experienced senior pension officer had joined the team and the vacancy for the support officer was being interviewed for in the next week.

In response to a member question on what more could be done to promote the online service and increase usage, officers acknowledged that this should be an area of priority and there was an opportunity to do some targeted work on this in line with the annual benefits statement release. This would be discussed in more detail and a plan formulated to be brought back to the next meeting of the Board. The software provider had made some improvements on ease of usage of the system around registration and ability to reset own passwords as well as updates on the system with member self-service additions.

It was commented that it was disappointing that there was only 27% of usage of the online system and it was suggested that this could be a matter for operational management and could be discussed in team meetings with team managers actively promoting and encouraging staff to utilise the service in order to be abreast with their financial health.

The appearance of a slight downward trend on notification of death benefits was commented on and officers said that this was as a result of one case in January that was awaiting further information on that resulted in this, prior to that the target of 100% had been met in all instances.

A Member commented that clarification on the communication process between the Pensions team and members in schools was sought as it would appear that Pensions forecasts went to head of schools and it was down to the head to disseminate that information. The fact that this process would change with the pension dashboard going online was welcomed. It was asked what the union could do to facilitate and open up lines of communication. Officers said that the Council had a schools forum and bulletin that the pensions scheme contributed to and prior to the pandemic an employer's

forum that they used to communicate. It was agreed that information about online access and accessing benefit statement would be shared and the link would be shared to the public website for this information.

In response to a question on McLeod and resources, officers said that some information had been obtained from Haywards which was being analysed for any missing data. It was envisaged that extra sources would be needed and the scale and period this would be required for was still being worked through.

The Chair expressed the wish to invite the director of HR to the July meeting of the board for members to be able to directly convey some of their concerns. Members agreed to this recommendation.

**RESOLVED:** The Board **AGREED** to Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report and;

The Chair write to invite the Director of HR to the July 2021 meeting of the Board.

## **18/21 Risk Register**

The Head of Pensions and Treasury presented the item and the following was noted:

- There was concern as to the impact the coronavirus pandemic would have on the markets and as a result the portfolio had been structured in a way where there was diversification of asset classes and regions of investment, philosophy, currency and others.
- The Pension Fund had performed relatively well despite the current climate and challenges. Liquidity risk was also an issue which was no longer considered a problem.
- The performance figures were impacted by the issues presented by the Exit cap which has been remedied for the time being.
- The problems expected by Brexit had not been reflected in the valuation of assets and the Sterling appears to be performing well against the Euro. There was a mechanism in place to mitigate on any disadvantages by movements against the Sterling.

Assurance was sought that the asset transfer would not pose a risk and officers said that the asset transfer only affected the Council's deficit contribution. It was asked that this be clearly documented. The Chair added that a letter was written to the CEO requesting a position statement and following conversations with Chris Buss, it was decided that re endorsement was what should be sought at this stage

Discussions took place around cyber security risk, in particular the risk of data being accessed and what had happened with the cyber security scorecard produced by AON as it was important to have an independent view of all the possible cyber issues. The Council's security officer had provided officers with some advice in particular due to the amount of data held with Haywards. Both Hymans and Haywards have the gold standard of cyber security accreditation which was reassuring. They would be asked for evidence of annual audits of those accreditations

**RESOLVED:** The Board **AGREED** to note the contents of the Pension Fund Risk Register

## **19/21 Breaches of the Law Log**

The Head of Pensions and Treasury introduced the item and flagged breaches:

- The use of a registered medical practitioner, which was resolved through the RDRP process
- Issuing of the annual benefit statements on time
- The back log of cases which were being self-reported on

A Member challenged whether the Board could confidently state that the backlog of cases was not material as the TPR guidance states when breaches had been identified, if prompt action had been taken to remedy the breach. The Board was not confident that prompt action had indeed been taken to remedy this breach and it was questioned whether the breach should in fact be reported for the backlog.

Officers responded that there was a corrective plan of action in place and that there had been issues, including the pandemic that had affected enacting that plan. The rationale behind it being marked as an amber breach and not red was due to the fact that a contract had now been awarded to a third party to process.

The Chair said that this was a matter that could be put to the HR Director at the July meeting as it would be expected that a significant impact should have been seen by then on reduction of the backlog.

**RESOLVED:** The Board **AGREED** to note the contents of the Pension Fund Breaches Log

## **20/21 Training Plan**

The Chair commented that structure was needed in formalising the training plan and it was suggested that a structured plan be formulated based on approximately 15 subject areas that's the board could receive training on. The current structure which asks for Members to flag areas that they feel they need more training on which can be quite difficult for members to identify their needs. Officers agreed to this suggestion and also for an organisational chart to be provided to the Board

**RESOLVED:** The Board **AGREED** to note the contents of the Pension Fund Training Records

**21/21 Exit Payment Cap Report**

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The Head of HR and Service Centre stated that at the last Board meeting, the conflict in regulations was reported and the decision was made that they would pay a reduced or deferred benefit to anyone affected. The Government had now rescinded those regulations and further instruction would be awaited from the government in the future.

**RESOLVED:** The Board **AGREED** to note that

i. On 12 February 2021, the government announced that the Restriction of Public Sector Exit Payments Regulations 2020 (Exit Cap Regulations) introduced on 4 November 2020 to cap exit payments in the public sector to a maximum of £95,000 will be revoked, and that an HM Treasury Direction would disapply the Exit Cap Regulations 2020 until revocation, removing any conflict with the LGPS regulations that arose as a result of the cap, with immediate effect from 12 February 2021;

ii. On 25 February 2021, the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Revocation Regulations) were laid before Parliament. They will come into force on 19 March 2021 and formally revoke the Cap Regulations from that date.

iii. the administering authority will revert to using local factors supplied by the funds actuaries for calculating early retirement strain costs

**22/21 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.

The meeting ended at 3.41 pm

**Signed:**

**Date:** .....