

Pension Board

Meeting held on Thursday, 23 March 2023 at 2.00 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Michael Ellsmore (Chair);
Co-optees: Richard Elliott (Online), Teresa Fritz and David Whickman

Councillor Margaret Bird

Apologies: Councillor Ava Payne

PART A

48/23 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday 12 January 2023 were agreed as an accurate record subject to the following amendments:

- Minute 39/20 was written as if the Board members were yet to give their confirmation, and it should be changed to state that all members that were present did provide confirmation.
- Minute 43/20 had an admin error which needed to be re-addressed.
- Minute 45/20 – there had been discussion about communication with employers which was not included and should be added to the minutes.

49/23 Disclosure of Interests

The Chair asked for officers to re-circulate the register of interest forms amongst the Board members.

50/23 Urgent Business (if any)

There were no items of urgent business.

51/23 Update from Pension Committee

The Acting Head of Pensions and Treasury provided the Board with a verbal update, during which he explained to members that the Funding Strategy Statement was taken to the committee in October and there had been a training session conducted by the Actuary on the assumptions which had formed the basis of the statement. The Funding Strategy Statement was then

agreed in draft by the Committee before being sent out to Employers for consultation. The consultation period had now finished, the Funding Strategy Statement was taken back to the Committee on the 14 March 2023 and was approved.

The Acting Head of Pensions and Treasury explained that the actuarial valuation had been processed and the Actuary was finalising the report for sign off by the deadline of the end of March 2023.

The Acting Head of Pensions and Treasury confirmed that all the Employers had received their new rates, Officers had not received any feedback on the new rates so they would assume that they had been accepted by the employers.

52/23 Pensions Administration Report Review

The Pension Manager introduced the report and stated that over the past quarter the team had focused on their business-as-usual work and preparation for an anticipated large Annual Allowance issue this year. The team had endeavoured to complete their inter-fund adjustments with other local authorities and make sure that the records were all up to date.

The Pension Manager explained that the regulation had changed and that the re-valuation date had changed from the 1st April to the 6th April, this meant that fewer people should be impacted by the annual allowance.

The Pension Manager confirmed that changes to the Lifetime and Annual Allowance had been announced in the 2023 Budget. These changes had come as a surprise and the team would review their documentation and would communicate with the Members once they had received further guidance.

The Pension Manager stated that the team had started their end of year processes and had contacted the employers to inform them of what's expected for the templates, Officers we're hoping to get good results back from Employers this year.

The Pension Manager informed the Board that their team had a new member of staff join the team in January 2023.

In response to questions from Members, Officers informed the Board that:

- Officers took the decision this quarter to focus on inter-funds and reviewing their outstanding cases. This made up about a third of their workload which could cause issues as if the inter-funds were outstanding then Officers would be unable to work through the deferred benefit calculations.
- Officers were looking at the bulk automation calculations and they had identified several hundred leavers that they believed could be carried out by automation. Officers intended to begin testing on this as soon as possible.

- Officers had previously thought that the issues with the registration for self-service were down to user error, but the number of errors which had occurred stemmed from a wide range of issues. Officers attended a user group meeting several weeks ago and noted that other local authorities had major issues with registration as well. Officers were aware that there was a new member self service registration process coming at the end of the year and Officers would wait until this had been introduced before encouraging more members to register.
- Officers planned to set up a meeting with AON for guidance on how to progress with the next stage of the cyber security project.

RESOLVED:

- To note the Key Performance Indicators and the performance against these indicators set out in Appendix A to the report.

53/23 Pension Fund Medium Term Business Plan Review

The Acting Head of Pensions and Treasury introduced the report and explained that this was taken to the Pension Committee on 14 March 2023 and they had adopted the business plan.

The Acting Head of Pensions and Treasury stated that the report went through the achievements that had been made last year, including the work carried out on the triennial valuation; the knowledge and skills policy review; the breaches policy review and the discretions policy review.

The Acting Head of Pensions and Treasury expressed his disappointment with lack of progress that have been made with the voting rights on the constitution. Officers had met with the Monitoring Officer and had been given a commitment to implement the new voting rights by the end of May.

Officers were concerned about the Fund becoming cash flow negative but were confident that there were enough income generating investments which could be drawn down if necessary.

In response to a question from a Member, Officers informed the Board that:

- There was £40 million in the bank which should cover the £3 million shortfall over the next year. Officers would be conducting an asset allocation review which would highlight where they could draw further income if required.
- Two of the six vacancies were covered by agency staff, which left four current vacancies within the team. The admin staff vacancies were additional positions that had been allocated within the budget going forward.
- Regarding the structure of Treasury and Pensions, this was currently more of a standard model across local government. Many other local

authorities were having issues with sourcing skilled staff, so Officers were looking at the possibility of shared services with other boroughs to make the service more resilient.

RESOLVED:

- To comment on and agree to the recommended Medium Term Business Plan 2023/26.

54/23 Scheme Advisory Board (SAB) Good Governance Review

The Acting Head of Pensions and Treasury introduced the report and explained that the Scheme Advisory Board commissioned Hymans Robertson to do a report on the Governance Review and after two or three iterations they came up with a phase three report in February 2021 which provided some guidance for future reference.

The Acting Head of Pensions and Treasury stated that Officers had gone through all the recommendations in the Hymans report to establish how stood in comparison to the recommendations.

In response to a question from a Member, Officers informed the Board that:

- That the conflict-of-interest policy would need to be presented to the Pension Committee and agreed by its members before it could be adopted.
- They were progressing with the governance action plan and would consult with AON during the 2023/24 year.

The Chair believed that there should be a training session on the Conflicts of Interest Policy once it had been finalised.

RESOLVED:

- To note the contents of the report

55/23 Risk Management Policy Review

The Acting Head of Pensions and Treasury introduced the report and explained that policy had been adopted by the Pension Committee in March 2020 and during various governance reviews AON commented that the policy was fit for purpose. The policy had to be reviewed every three years and officers would present it to the board prior to bringing it to the committee for agreement.

In response to a question from Members, Officers informed the Board that:

- Officers had been in contact with their software provider about the technical side of the dashboard, the software provider would draft reports which highlight where improvements needed to be made.

RESOLVED:

- To note the draft Risk Management Policy to be adopted by the Fund.

56/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the report and explained that there had been two items added, the conflicts of interest and climate change risk.

In response to questions from Members, Officers informed the Board that:

- The main focus of the investment allocation review would be the decision of how the Fund wanted to manage its approach to Environmental, Social and Governance (ESG) and Responsible Investment. There would be training given to Committee Members before the next committee meeting, after which a proposal would be taken to the Pension Committee about ESG. Officers would seek guidance from Mercer's for the reporting on the Task Force for Climate Change reporting requirements.
- The Actuary assessed climate change risk when setting assumptions and conducted climate change modelling, so climate change risks were already included in the funds risk management.
- 5% of the Fund's asset allocation was in renewable funds, this was considered heavily weighted in comparison to other Local Government Pension Funds. The Fund would likely have net zero target which they could work towards.
- Regarding cyber security, the mapping exercise had been completed and they were consulting with AON on how to proceed.
- Items on the risk register needed to be reassessed and re-worded in some scenarios as Officers had already addressed some of the risks.

The Chair suggested that officers contact their counterparts in Southwark Council about how to assess the climate risk.

RESOLVED:

- To note the contents of the Pension Fund Risk Register.

57/23 Breaches of the Law Log

The Acting Head of Pensions and Treasury introduced the report and explained that in the last Board meeting Officers were encouraged to report

the fact that there were three years of unaudited accounts. Following the last Pension Committee meeting, a joint report had been submitted to the regulator and they would be in contact if there was any concern.

Whilst going through the process of reporting, Officers found several other local authorities with three years of unaudited accounts (mainly the 2021/2022 accounts). The Acting Head of Pensions and Treasury explained that the unaudited accounts did not present a material risk to any members however he did accept that this did not display good governance.

The Corporate Director of Resources informed the Panel that the 2019/20 accounts had been held up due to the issues with Croydon affordable homes, the Council had reached a position where all parties involved were in agreement on how to approach the problem. The Corporate Director of Resources stated that the target was for the accounts to be signed off by June 2023.

The Corporate Director of Resources explained that she was confident that she knew all the changes that needed to be made to the accounts and she would now need to put them through, agree them with the auditor before presenting them back to the Audit and Governance Committee to be signed off.

The Acting Head of Pensions and Treasury stated that there could be a problem with resourcing of the auditors as there were several authorities in a similar position to Croydon.

The Acting Head of Pensions and Treasury noted that the Minister had responded positively to a letter proposing the separation of the pension accounts from the authorities accounts, however he was unsure on how long it would take for anything to be implemented.

The Acting Head of Pensions and Treasury explained that the 2019/20 accounts were completed and were awaiting sign off, the auditors were assessing the 2020/21 accounts but needed the 2019/20 accounts to be signed off before they could finish their work on the 2020/21 accounts.

RESOLVED:

- To note the contents of the Pension Fund Breaches Log, Appendix A.

58/23 Board Training Update

The Acting Head of Pensions and Treasury introduced the report and explained that Hymans ran a national knowledge assessment and the Board had 100% completion of the assessment. Hymans had produced the results of the assessment, only 16 authorities participated in the assessment and Croydon ranked bottom of the 16 authorities. The Acting Head of Pensions and Treasury noted that there were several new members on the Committee

who needed additional training and this result highlighted the need for further training for the board and committee members.

The Acting Head of Pensions and Treasury stated that there had been an investment workshop for the Committee and there would be further training on offer for the Board and the Committee.

In response to questions from members, officers informed the Board that:

- The Board should feedback to Hymans that there should be different training for Pension Committee and Board members as they were separate bodies.
- The Board were well versed on governance and had sufficient knowledge to help the Fund to progress.

The Chair offered to draft some feedback on the training to Hymans.

The Chair proposed that Officers could come up with a three-year plan for training of the Members of the Board and Committee.

A member of the Board stated that the training on offer was very good. The Hymans training was not reflective of the knowledge of the Board as they scored well on governance and admin sections, if members were to become more proficient with the other sections of the training would represent a duplication of work.

RESOLVED:

- To note the contents of the Pension Board Training Log.

59/23 Updates from Scheme Advisory Board and The Pensions Regulator

The Acting Head of Pensions and Treasury introduced the report and explained that the letter about the annual report and the pension fund accounts being separated from the authorities' accounts had been on the register for a long period of time.

In response to questions from Members, Officers informed the Board that:

- There had been more encouragement for LGPS funds to sign up to pools. The benefits of joining pools and having infrastructure investments had been presented to the Council, the Acting Head of Pensions and Treasury fund felt as though the fund already had enough infrastructure investments and would offer pushback if they were pushed to invest further.
- The push for authorities to join pools came from Central Government.

RESOLVED:

- To note the contents of the report

60/23 Exclusion of the Press and Public

This item was not required.

The meeting ended at 3.10 pm

Signed:

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Date:

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