

Pension Committee

Meeting held on Tuesday, 20 June 2023 at 10.00 am in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Callton Young OBE (Chair);

Councillor Clive Fraser (Vice-Chair);

Councillors Simon Brew, Patricia Hay-Justice, Yvette Hopley, Karen Jewitt and Alasdair Stewart and Robert Ward

Co-opted Members: Ms Gilli Driver and Mr Peter Howard

Also

Present: Councillor Stuart Collins (online), Councillor Alisa Flemming (online), Matthew Hallett (Acting Head of Pensions and Treasury), Gillian Phillip (Pensions Manager), Mike Ellsmore (Chair of Pension Board), Robbie Sinnott (Mercer), Jane West (Corporate Director of Resources & S151 Officer), Ian Talbot.

Apologies: Councillor Endri Llabuti; Patricia Hay Justice (For lateness); Charles Quaye

PART A

68/23 Minutes of the Previous Meeting

The minutes of the meeting held on Tuesday, 14th March, 2023 were agreed as an accurate record subject to the following amendment:

- The reason for holding large amounts of cash was to ensure there was sufficient liquidity in the Fund as higher inflation leads to increased benefit payments. At present, there was a lot of volatility in the market and following the investment strategy review they would re-assess their stance on the amount of cash held. The Fund was currently receiving a better return on the cash than any asset they could have invested in.

Councillor Hay Justice entered the meeting at 10.08am.

69/23 Disclosure of Interests

The Committee agreed that their register of interest forms were up to date.

70/23 Urgent Business (if any)

There were no items of urgent business.

71/23 Conflicts of Interest Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the Scheme Advisory Board good governance review recommended the Fund had a conflicts of interest policy. The pensions regulator and AON also recommend that the Fund should adopt a conflict of interest policy and as part of the governance review action plan the Committee agreed to adopt a fund wide conflict of interest policy.

The Acting Head of Pensions and Treasury stated that Members of the Committee and officers had two roles, working for on the behalf of the Council and working on behalf of the administering authority as the scheme manager. The Acting Head of Pensions and Treasury did not feel as though the Councils constitution addressed this issue sufficiently, which is why the Fund needed a conflict of interest policy which covered the Pensions Board, the Committee advisors and officers.

An example of a potential conflict of interest for the Committee would be setting the contribution rates for the Council. In this case the council would prefer to keep the contribution rate as low as possible and the fund would seek to generate enough contributions and investment returns to pay benefits for members. As Members and officers worked on behalf of the council and the Fund there was a clear conflict of interest.

The Acting Head of Pensions and Treasury explained that in order to manage this conflict of interest, officers would set a funding strategy statement based on advice from the Actuary.

Members of the committee expressed concerns with the wording and the length of the conflict of interest policy which had been drafted by officers.

Councillor Robert Ward stated that the wording in the conflict of interest policy did not clearly state whether the policy covered reserve Members of the Pension Committee.

Councillor Alasdair Stewart expressed that he felt that the document that been drafted was too long and that the background information on why the policy was required should not have been included in the document. Councillor Alasdair Stewart explained that there were several which belonged in the wider governance policy rather than the conflict of interest document.

Mike Ellsmore was content with the report and suggested a 45-minute training session for Members of the Committee to further explain the conflict of interest policy.

Councillor Alasdair Stewart stated that he had reservations about adopting the conflict of interest policy as it did not provide Members with enough clarity in its current form. before the suggested changes had been implemented.

The Corporate Director of Resources & S151 Officer suggested that officers should hold an engagement session rather than a training session on the conflict of interest policy. This would enable Members to provide feedback to officers on the conflict of interest policy before it was presented to the Committee again at future meeting.

Resolved to:

1.1 Note the draft conflict of interest policy as a work in progress.

72/23 Governance Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the governance policy had been updated for the first time since September 2019. The purpose of the policy was to set out the governance structure of the Fund and determine how the Fund operated. This was a requirement as part of regulation 55 of the Local Government Pension Scheme Regulations.

In response to questions from members officers informed the Committee that:

- The purpose of the document was to set out all the policies which the fund required. The Acting Head of Pensions and Treasury asked the Committee to agree the governance policy subject to the pending constitution changes being implemented.
- Although trustees could delegate, they were ultimately responsible for the operation of the fund.
- The Local Government Pension Scheme (LGPS) was not a separate body from the Council which meant that the Members of the committee were not actually trustees but were acting as 'quasi-trustees' of the Fund.

Councillor Stewart stated that Members could hold a meeting in future without pension fund advisors which focussed on the funds governance documentation.

Resolved:

1.1 To note the report.

73/23 Governance Best Practice Compliance Statement

The Acting Head of Pensions and Treasury introduced the item and explained that every year the fund had to produce a Governance Compliance Statement to state that they were compliant with guidelines set out by the secretary of state.

The Acting Head of Pensions and Treasury stated that the last Governance Compliance Statement was produced in October 2022.

The Acting Head of Pensions and Treasury informed the Committed that under section A part B of the Governance Compliance Statement stated that the Council were partially compliant, it was taken into account that the Committee had given a vote to a trade union representative and that they were looking to appoint an employer representative to fund also as a voting member.

Principle B part a stated that the Fund was 'Partially Compliant' as there was currently no employer representative, however the Committee had agreed to the appointment of an employer representative once the constitution had been amended.

Principle B part b stated that the Fund was 'Fully Compliant' as the issue where Members were unable to access papers had been resolved.

Principle D stated that the Fund was 'Fully Compliant' as the constitution covered the Committees voting rights which now included voting rights for trade union members and an employer representative.

In response to questions from Members officers informed the Committee that:

- Since the implementation of the Council Tax increase, the Council were no longer under a section 114 notice. The Council still operated spend control panels which checked expenditure, and a report had been published on the Councils website which set out new spend control criteria.
- There was provision to pay for Members to attend courses.

Councillor Stewart asked for future governance compliance statements to be presented with tracked changes in the agenda pack, so that Members could fully consider the changes to the previous statement rather than relying on verbal clarification.

Resolved to:

- 1.1 agreed the draft Governance Best Practice Compliance Statement attached as Appendix A subject to the proposed changes.

74/23 Pension Administration Strategy

The Pensions Manager introduced the item and explained that an administration strategy sets out a clear explanation to employers and the administering authority on what was required to ensure the Fund was well run and would achieve the best outcome for its members.

The revised Pension Administration Strategy would be shared with employers, and they would be encouraged to provide feedback by the 31 July. Once the employers had provided their feedback and agreed to the changes, officers would bring the final report back to the Committee.

In response to questions from members officers informed the Committee that:

- The Pension Administration Strategy was seen as a high-level document, officers wanted to re-establish employer forums to provide employers with clear guidance on the strategy.
- The scheme regulations stated that it was not possible to be a member of the scheme beyond the age of 75. This was a policy shared across all public sector pension funds.
- There was a requirement in the regulations that all the conditions set out in appendix 11 of the report had to be met for a continuous period of two years prior to the date of death for a co-habiting partner to receive a survivor's pension.

Resolved to:

- 1.1 Agreed the draft Pension Administration Strategy Statement attached as Appendix A.

75/23 Croydon Pensions Administration Team Key Performance Indicators for the Period from February 2023 to April 2023

The Pension Manager stated that the team had been focused on the end of year processes and there was only one employer who was yet to return their end of year schedule. The Pension Manager explained that the Pension Administration team had processed the pension increase which was 10.1% this year.

The Pension Administration team had been slightly delayed on some of their transfer and interfund cases because of the change to the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate, this has had an impact on their leaver calculations as they were unable to process them until the transfer cases had been dealt with.

In response to questions from members officers informed the Committee that:

- They were experiencing member registration issues due to problems with the software so officers had arranged for a system update in the

autumn. Officers had decided to postpone a drive to increase member self-service numbers until the issue was resolved.

Resolved to:

1.1 Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

76/23 Contract for the Provision of Actuarial Services for the Pension Fund

The Acting Head of Pensions and Treasury introduced the item and explained that the current actuarial services contract would end on the 31 July 2023. The contract had been out to tender and there had been two responses from providers on the framework, officers were currently evaluating the responses. This process should be completed by the end of June and provisions should be in place to begin the new contract from the 1st August.

In response to questions from members officers informed the Committee that:

- Officers had notified the Committee of the strategy that they were adopting however the actual appointment of the actuarial advisors was conducted by the Council, therefore officers had to follow the council procurement rules. Officers took the strategy through contracts and conditions commissioning board before taking the strategy to the cabinet member for finance for approval. The evaluation process was conducted by officers on the pension fund and the assessment of the price was conducted by procurement officers.
- Officers had used the framework agreement which had already evaluated the providers prior to them joining the framework. Once the providers had been added to the framework they would then compete for the contract.
- Officers would check the framework rules with the procurement team to see whether the Committee could have more involvement in the procurement process in future.

Resolved to:

1.1 The Committee are asked to note the contents of this report.

77/23 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the item and explained that following the last Pension Committee meeting, Members and officers decided to report the failure to produce the 2019/20, 2020/21 and 2021/22 accounts within the statutory deadline to the pension regulator. The pension regulator had asked for a timetable for completion and the Acting Head of Pensions and Treasury would update the regulator on the progress being made.

The Acting Head of Pensions and Treasury stated that there were further breaches in terms of paying refunds, the regulation required the fund to pay refunds within five years of a scheme member leaving. The regulator planned to update the regulation to remove this as a requirement as it was largely dependent on members of the scheme contacting officers to provide them with details on their membership, which did not always occur in a timely manner.

In response to questions from members officers informed the Committee that:

- The 2019/20 accounts would be published at the end of June 2023. The audit would then need to be conducted and it was more difficult to provide an estimated date for completion. There were two issues across local government which made it difficult for accounts to be signed off, these were infrastructure assets and the new actuarial valuations. The new actuarial valuations was an issue because anything before the date of the new valuation was being queried by the auditors.
- There had been statutory recommendations made by Grant Thornton earlier in the year which included the task of getting all of the accounts up to date by June 2024.
- There was several ways to trace members of the scheme, however each method was dependent on the individual engaging with officer. Quite often members of the scheme do not respond to officers requests for information including their bank details, which caused a delay in issuing refunds.
- The breaches log included in the agenda papers was incorrect and officers had in fact reported the 2019/20, 2020/21 and 2021/22 accounts as being out of date.
- The Annual Benefits statements in the breaches log had been set as 'green' as there was a plan in place to rectify the errors, most of which related to aggregation, which were found during the backlog project.
- Officer would include a definition on what 'green', 'amber' and 'red' represented in future reports.

Resolved to:

1.1 Note the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

78/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the item and explained that the main concern on the risk register was cyber security. Officers were working with AON and the Councils cyber security specialists following the recent cyber-attack on Capita.

In response to questions from members officers informed the Committee that:

- Officers were looking at mapping processes with AON whilst working with the Councils cyber security specialist and they would be able to provide a follow up report to the Committee once this had concluded.
- They would review the risk register as a whole for the pension fund and any proposed changes would be reported at the next Pension Committee meeting.

Resolved to:

- 1.1 Note the contents of the Pension Fund Risk Register and to comment as appropriate.

79/23 Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update

The Acting Head of Pensions and Treasury introduced the item and explained that the Mc Cloud remedy, which were the Draught regulations which had been published and were out for consultation which should conclude by the end of June 2023. The Mc Cloud remedy had to be in place for the 1st October 2023. The Acting Head of Pensions and Treasury concluded by stating that the pensions dashboard had been delayed until October 2026.

In response to questions from members officers informed the Committee that:

- The Mc Cloud judgement would not have an impact on the funding of the fund as most members would not be affected. The only issue was that there was a large number of members who would need to be checked which would take a long time.
- Officers would be capturing climate change data as the fund was part of the task force for climate change.

Resolved to:

- 1.1 The Committee are asked to note the contents of this report.

80/23 Part A -Progress Report for Quarter Ended 31 March 2023

The Acting Head of Pensions and Treasury introduced the item and explained that the fund had performed well over the quarter, there was a return of 3.54% and an increase in value of £53 million.

The Acting Head of Pensions and Treasury informed the Committee that over the past year the fund had returned -2.44% and the invest return assumption was 4%. The funds returns had given a negative contribution to the return assumption.

The Acting Head of Pensions and Treasury asked the Committee to bear in mind that liabilities would come down because of interest rates, so the future expectation of returns increased because the risk-free rate of return had increased.

Resolved to:

1.1 Note the performance of the Fund for the quarter ended 31 March 2023.

81/23 Exclusion of the Press and Public

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

82/23 Part B -Progress Report for Quarter Ended 31 March 2023

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

83/23 Investment Strategy Review

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The meeting ended at 12.55 pm

Signed:

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Date:

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