

## **Pension Board**

Meeting held remotely using MS Teams on Thursday, 15 October 2020 at 2.00 pm.

### **MINUTES**

- Present:** Michael Ellsmore (Chair);  
Co-optees: Richard Elliott, Teresa Fritz, Daniel Pyke and David Whickman  
Councillor Andrew Pelling
- Also Present:** Nigel Cook (Head of Pensions and Treasury), Alison Fisher (Pensions Administrator), Victoria Richardson (Head of HR and Finance Service Centre) and Gillian Phillip (Pensions Manager)
- Apologies:** Ava Payne

### **PART A**

#### **1/20 Minutes of the Previous Meeting**

The minutes of the meeting held on 16 January 2020 were agreed as an accurate record. It was to be consider how these could be signed by the Independent Chair given all meetings were happening remotely due to lockdown and social distancing requirements.

#### **2/20 Disclosure of Interests**

Pension Board members Richard Elliot, Teresa Fritz and David Whickman declared their pecuniary interests in the discussion of a remuneration strategy for Pension Board members at agenda item 10/20.

#### **3/20 Urgent Business (if any)**

There were no items of urgent business.

#### **4/20 Key Performance Indicators for the Period 1 June to 31 August 2020**

The item was introduced by the Head of HR & Finance Service Centre. It was explained to the meeting that the report covered a challenging period for the administration team. This included having to develop new ways of working as a result of the pandemic, processing a large amount of data provided by scheme employers at the start of the financial year, and an increased number of requests for estimates due to the headcount reduction being conducted by Croydon Council.

Whilst performance had been good on retirements and deaths, this had been affected by annual leave and sickness. However, of the outstanding cases, 59% related to the historic backlog of deferred cases. It was planned to address the historic backlog through a specialist provider. The procurement process was ongoing with agreement being awaited to progress.

Vacancies in the team were being addressed. A Senior Pensions Officer role had been filled through internal redeployment and a Pensions Office role had been filled in May 2020. Work was being undertaken to address the two remaining vacancies for a Senior Pensions and Pensions Support Officer.

The Board was informed that 97.8% of annual benefits statements had been issued before the deadline on 31 August 2020. It was being explored why those outstanding had not been picked up by the system. As off the end of Quarter 2, 26.49% (1,006) of scheme members had used the self-service facility to view their annual benefit statements online. The Independent Chair confirmed that whilst the performance did not amount to a breach, it should be acknowledged on the log.

Members of the Board explored a number of issues arising from the report.

In response to a question regarding what might be done to address the quantity of starters and leavers, the Pension Manager confirmed that monthly schedules were received. Those that were missing would be picked-up at the end of the year and addressed with employers. It was explored whether the iConnect system could be beneficial. It was acknowledged that this was used by one of the larger academy trusts but it was known this took a lot of time to set-up.

The Head of HR and Finance Service Centre clarified that the procurement of an external provider to assist in addressing the historic backlog of cases was in the standstill period having reached the preferred bidder stage. It was anticipated the procurement would start to progress again towards the end of October 2020. In response to concern that the backlog of cases was increasing, the Pension Manager explained there had been a higher volume of leavers than usual. These were to be addressed through a number of focused days where the team would focus on processing the backlog.

Reassurance was provided to the Board regarding recruitment to the remaining vacant posts. Approval to progress with recruitment had been gained following going through the staff redeployment process which had resulted in one post being filled.

The Independent Chair thanked officers for their honest report which showed some drift in lower priority KPIs. Endorsement was expressed for recruitment to vacant posts and procurement to provide additional resource.

The Head of HR and Finance Service Centre explained that the exit payment reforms resulting from the McCloud judgement would have an impact on the administration team. It was planned to recruit to vacant posts and then to review resourcing in early 2021 taking into consideration the new requirements.

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

## **5/20 Update on the McCloud Case**

The item was introduced by the Head of Pensions & Treasury. Members of the Board were reminded that Bob Holloway, the Secretary to the Local Government Pension Scheme Advisory Board, had attended their last meeting and outlined the McCloud case. As a result of the ruling, the Local Government Pension Scheme (LGPS) would change for some members. It had been determined that previous changes to the scheme had discriminated on the grounds of age as they had only provide protection those members within 10 years of retirement age.

The Ministry of Housing, Communities and Local Government had conducted consultation on possible remedies in order to comply with the McCloud judgement. The actuaries for the Croydon Local Government Pension Fund had been engaged to quantify the impact of the judgement and had identified that 15% (5,000) of members may need to be reviewed. This would be more complex where the pension was already in payment or the member had passed away. It was anticipated that extra administration resource would be needed to request additional information from employers in order that the reviews could happen. The pension software needed to support this work was being explored. Concern was expressed about beginning the work too soon before there was clarity on what data would be required.

Members of the Board explored a number of issues arising from the report.

In response to a member question, the The Head of HR and Finance Service Centre signposted page 31 of the agenda pack for information on how the McCloud judgement might affect individual employers in the scheme. Concern was expressed regarding the time estimated for processing the new requirements and whether this was sufficient. The Pension Manager clarified that the data requirements were not yet known and therefore notification could not yet be given to employers. It was envisaged that some employers would require a separate engagement process as the aim was to implement with minimal impact. Whilst it was originally envisaged that the results of the McCloud judgement would have to be implemented by 2022, it was thought this might shift as a result of additional requirements also needing to be implemented arising from the £95K exit cap.

The Head of HR and Finance Service Centre confirmed to the meeting that the £95K exit cap was being brought into law imminently having completed its passage through Parliament. The LGPS was still consulting on the exit cap. It was expected that the Local Government Association (LGA) would be meeting with MHCLG and a joint statement provided. However, it was clear that beyond 4 November 2020, no one leaving any public sector post would be able to receive an exit payment beyond the £95K limit.

Additional reassurance was provided about the resource needed to implement the McCloud judgement; more information was required from the software provider with all boroughs in the same position. Further information was awaited before action plans could be developed. Options for collaboration with other boroughs were being explored through the London Pension Officers Group.

The Independent Chair highlighted that the Board was expecting a detailed project plan at the appropriate time addressing the McCloud judgement and that the necessary additional resources would be approved by the administrating authority.

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

## **6/20 Pension Board Annual Report**

The item was introduced by the Head of Pensions & Treasury. It was noted that this referenced the McCloud judgement on page 41 of the agenda pack with the commitment made to monitor the implications and ensure that adequate resources were made available.

Richard Elliot highlighted that the report needed to reflect he had been employed at the Brit School up until 29 December 2019.

It was noted that the report would be published on the scheme's website.

The Independent Chair moved, Richard Elliot seconded and the Board approved the Pension Board Annual Report subject to the amendment detailed by Richard Elliot.

**RESOLVED:** The Board **AGREED** to approve the Pension Board Annual Report.

## **7/20 Reporting Breaches of the Law**

The item was introduced by the Head of Pensions & Treasury. It was highlighted that the report provided an explanation of the law in order to make clear that breaches were defined by LGPS regulations and, where breaches did occur, there was a duty for these to be recorded. The report provided an overview of the process and how this worked to provide assurance. The log of

breaches was at Appendix F in the agenda pack. Picking up on the point made earlier by the Board, the performance on the provision of annual benefit statements was featured.

It was highlighted that the breaches log was reviewed by the Pension Committee as well as the Pension Board. This allowed for a discussion of what was and was not material to allow action to be taken.

Teresa Fritz had undertaken training on the breaches of the law policy and log through the LGA, the slides from which were promised to the rest of the Board.

The meeting discussed where responsibility for the breaches of the law policy and log was located. In reference to page 45 of the agenda pack, the Independent Chair noted that the Pensions Regulator had put the emphasis on Pension Boards. Also, it was emphasised that it was not explicit that there was a role for the Pension Committee. It was suggested that this might be implied by the reference to the Pension Manager.

In response, the Head of Pensions and Treasury explained that this had not yet been tested or defined. It was assumed that responsibility lay with the officer responsible for administering the fund. This was the Director for Finance, Investment and Risk. It was appreciated that this was a grey area.

The Independent Chair stressed that the Pension Board was not decision-making but that it had the responsibility rather than the Pension Committee. It was suggested that constitutionally, the scheme manager might be seen to include the Pension Committee. Skewing the responsibility towards Pension Manager and the Pension Board did not do justice to the Pension Committee as the key decision maker.

**RESOLVED:** The Board AGREED to note the Fund's Breaches of the Law Policy and Log but also noted the apparent imbalance between the Pension Board and Pension Committee.

## **8/20 Pension Fund Governance Review - Action Plan Progress**

The item was introduced by the Pension Manager. It was explained how the findings of the review had been presented to the Board in February 2020. The revisions that had been forthcoming from the Board had been included in the report and an appointment had been made to ensure the implementation of the recommendations. It was explained how this post was undertaking activity such as reviewing policies and monitoring the implementation. Follow-up was happening with employers not using iConnect discretion policies. It was anticipated that further updates would be forthcoming to the Board.

The Independent Chair described the work that had been undertaken as laudable. The detail provided was welcomed along with the fact that the work was well resourced.

Clarification was requested on why there was a need in the Governance Action Plan to reassert the implementation of Pension Committee decisions. In response, the Head of Pensions & Treasury clarified that there was some innate difficulties experienced executing investment decisions taken by the Pension Committee. This reflected that drawing down funds could be a protracted process caused by the need to undertake due diligence, having the correct legal documentation in place etc. On occasions this was seen as a reluctance to invest. An illustration was provided; the investment in the M&G private rental fund had taken a year to implement because there was a queue of other investors waiting to join before the Croydon LGPS.

**RESOLVED:** The Board **AGREED** to note the report with encouragement provided to maintain the good work.

## **9/20 Pension Board Forward Plan 2020/21 and 2021/22**

The item was introduced by the Head of Pensions & Treasury with Board members asked to consider their forward plan and to comment on its content and distribution.

It was requested that the Board receive a separate item on the response to the McCloud judgement including a project plan. It was suggested that the right time for this to come forward would be during the first quarter of 2021.

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

## **10/20 Remuneration Report**

The item was introduced by the Head of Pensions & Treasury. It was emphasised that this had been difficult to write in order to achieve the right balance and level of objectivity. It was acknowledged that Croydon's Constitution did not allow co-optees to be paid apart from members of the Adoption Board which was in and of itself contradictory. Whilst a view on the paper from the Council's Corporate Legal Team had been requested prior to the publication of the agenda, this had not been forthcoming. Should it be agreed that remuneration be made to Pension Board members, payment would be made by the Fund administrator from the Fund itself.

The Independent Chair acknowledged that he had been seeking payment for board members in reflection of the onerous skill and knowledge requirements. It was stated that Croydon needed to approach its consideration of the request not as an employer but as the administrator of the scheme. Whilst a legal opinion should be provided this advice also needed to be provided by the Council in its capacity as the scheme administrator.

The Pension Board discussed how the policy would only apply to those members who were not gaining payment for their involvement through other means. For example, by their time involved in participating in the Board being covered by their employer.

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

**11/20      The Pensions Regulator**

The item was introduced by the Head of Pensions & Treasury. It was noted that this related to the complaint made regarding the Property Transfer. Whilst efforts had been made to contact the Pensions Regulator to obtain an update, no response had been received.

Gratitude for the endeavours made was expressed by the Independent Chair.

**12/20      Exclusion of the Press and Public**

This item was not required.

The meeting ended at 3:19pm

**Signed:**

**Date:** .....