

## **Pension Committee**

Meeting held on Tuesday, 6 December 2022 at 10.00 am in Room 1.01 and 1.02 -  
Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

### **MINUTES**

**Present:** Councillor Callton Young OBE (Chair);  
Councillor Clive Fraser (Vice-Chair);  
Councillors Simon Brew, Stuart Collins, Patricia Hay-Justice, Yvette Hopley,  
Endri Llabuti and Alasdair Stewart

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

**Also Present:** 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)

**Apologies:** Councillor Nina Degrads

### **PART A**

#### **41/22 Minutes of the Previous Meeting**

The minutes of the meeting held on Tuesday 11 October 2022 were agreed as an accurate record.

#### **42/22 Disclosure of Interests**

The Chair of the Pension Board declared an interest regarding item 9 on the agenda which was 'Constitution Changes' as the report mentioned his allowances.

Councillor Fraser declared on behalf of the members that they were present as both Councillors and members of the committee.

#### **43/22 Urgent Business (if any)**

Gilli Driver stated that she had not received the papers in time; this hampered hers and Peter's preparation for the meeting. Members also mentioned that the training course that Peter had been required to attend clashed with the meeting.

Councillor Hay Justice suggested that if Democratic Services were short on staff members then the committee could consider funding Democratic Services in order to ensure that they were not stretched and were able to meet the demands of the Pension Committee.

Jane West stated that as Democratic Services was within her remit, she would investigate this issue to ensure that there was not a reoccurrence in future.

#### **44/22 Breaches of the Law Log**

The Acting Head of Pensions and Treasury introduced the item and explained that the 2021/22 accounts had missed the Pensions Regulator deadline of having audited accounts for the Pension Fund. The Acting Head of Pensions and Treasury stated that the 2019/20, 2020/21 and the 2021/22 accounts had not been audited. In terms of reporting it to the regulator as a breach, the coding had been changed from green to amber. This had not been reported to the regulator as they had been assessing the cause and effect of the breach. The Acting Head of Pensions and Treasury felt as though the cause of the breach was because Local Government Pension Fund accounts were linked to the Council accounts which had not been signed off. The effect of this breach would not be detrimental to the scheme as the actuary was still able to sign off the valuation despite the accounts not being signed off.

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

- The Scheme Advisory Board wrote to the Minister about the separation of the pension fund accounts from the main authority accounts but had not heard anything back. Currently these could not be separated as the pension fund is not legally separate from the local authority.
- The 2019/20 accounts audit was substantially complete. The 2020/21 accounts were currently being audited but there was only so much work that could be carried out as the 2019/20 accounts had not been officially signed off.
- There was a national issue in local government as no accounts were being signed off; the 2019/20 accounts were hoped to be signed off before the infrastructure issue was released. The infrastructure issue was a result of the audit industry recognising that local authorities were not valuing roads and bridges correctly in line with national requirements.
- The actuary was comfortable with signing off the valuation and there were no risks to the governance or management of the fund.

The committee agreed to move the minutes back to amber on the breaches of the law log.

## **RESOLVED:**

- The Committee agreed the contents of the Pension Fund Breaches Log, Appendix A.

### **45/22 Administration Performance Report**

The Acting Head of Pensions and Treasury introduced the item and explained that the team had managed to produce 100% of the annual benefits statements on time for the active members and 86.19% for the deferred members. Officers had identified the main issue with the deferred members was the outstanding backlog; the backlog project had finished and staff who had left the Council since April would not need to be issued with statements.

The Pension manager explained that the team was in the process of contacting individuals who made up the old cases, but officers did not have up to date addresses so they had to do a project to trace them.

The Pensions team was required to issue pension savings statements by the 6 October.

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

- Officers cleared the items from the breaches log every three years.
- Currently the outstanding cases included the tracing tasks for the backlogged cases. Once these cases had been shut down the number of outstanding cases would decrease drastically.
- The reporting system was not ideal for their case types and tasks which ran different reports; there was hope that a new system would be in place next year which would improve their reporting.
- The cases that were listed as missed in the report were completed but not within the timeframe that they had set for themselves.
- The backlog projects that had been assigned to Hymans had all been completed.
- There had been a discussion about universal KPIs: there would be an enhanced tool which they would add to their existing system which would enable more in-depth reporting.
- Many of the errors that had been highlighted in the report were from the records of members who had passed away or transferred out of the Council.
- Most of the national insurance number issues related to children's pensions as children did not have national insurance numbers, so they were issued a temporary one.

The Chair of the Pension Board suggested officers undertook a marketing campaign to improve the number of people who read the annual benefits statements.

The Chair and the Committee thanked officers for their work on clearing the backlog.

The Committee welcomed the introduction of national KPIs.

**RESOLVED:**

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

**46/22 Risk Register Review**

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that there had been no new risks identified or added to the register.

**RESOLVED:**

- The Committee agreed to note the contents of the Pension Fund Risk Register.

**47/22 Review of Committee Training**

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that they had employed Hymans Robertson to carry out a knowledge assessment on the Committee in order to identify training needs moving forward. Officers were awaiting a report from Hymans which would inform them on which areas required training in future. The Acting Head of Pensions and Treasury asked members to check whether the training that they had undertaken was recorded properly.

In response to a question from a member, officers informed the Committee that the deadline had now passed but enough members had completed the assessment for Hymans to identify the areas which needed training.

Councillor Brew stated that he had tried to set up a doodle poll but had no success, so would try again in January.

The Acting Head of Pensions and Treasury informed the Committee that there would be an investment strategy review in the first quarter of next year so a date for members' training would need to be forthcoming.

**RESOLVED:**

- The Committee agreed to note the contents of the Pension Committee Training Log.

## 48/22 Constitution Changes

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that there were two areas they had to assess: the first being voting rights and second being Pension Board allowances.

On voting rights, the following was proposed, the extension of voting rights to the Trade Union Representative as an active member of the Fund, addition of a voting Employer representative, and to keep one pensioner representative as a voting member and one as a non-voting member. Officers determined that one active member and one pension side representative as voting members reflected the make-up of the membership of the Fund and that an additional voting Employer Representative role was required to allow non-council employer participation.

Officers proposed to introduce an allowance for members of the Pension Board who were no longer being paid by their employer.

In response to a question from members, officers informed the Committee that:

- The allowance for the Chair of the Pension Board was set in 2014 and had not been increased since.
- They would introduce a cost-of-living increment on the allowance.
- The Council had taken out a separate insurance policy for the Pension Board.
- London Pension Fund Authority had advertised for a Chair of the Pension Board and they were offering an allowance of £7,000 for the position.
- The Chair was an independent member of the board, and he would attend more meetings than any of the board members mainly as well as Pension Committee meetings.
- Each Pension Board member was required to undertake the same training as the Pension Committee members.
- The proposed changes would need to be agreed by the Monitoring Officer.

A Member of the Pension Committee highlighted that there were still two unpaid members who sat on the Committee.

### **RESOLVED:**

- The Committee agreed the amendments to voting rights proposed in the paper considered by the Committee at their meeting of 11 October remain unchanged to preserve the balance on the Committee subject to agreement from the monitoring officer and the constitution working group.
- The Committee agreed changes to the Constitution to agree an annual allowance will be paid to the Members of the Pension Board and the Pension Board Chair as set out in section 3.3.

## **49/22 Contracts for the Provision of Actuarial and Global Custody Services**

The Acting Head of Pensions and Treasury presented the report to the Committee and explained that the actuarial contract had been extended until the end of July 2023 and the Global custody contract was a rolling contract. The mechanism by which officers recommended tendering for these contracts was through the Local Government Pension Scheme national framework.

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

- The government actuarial department checked whether actuaries were operating within guidelines as different actuaries valued funds differently.
- The Acting Head of Pensions and Treasury would prefer an actuary with a more prudent approach and would value service and cost over an actuary that valued the Fund higher than others.
- There would have been a large turnover of staff at the Global Custody Services contractor in the time that they had been managing the Pension Fund.
- There would not be a conflict of interest in having Mercer as an investment advisor and as an actuary.

### **RESOLVED:**

- The Committee agreed to note the report on the contracts for the Provision of Actuarial and Global Custody Services.

## **50/22 Update on SAB and TPR news**

The Acting Head of Pensions and Treasury presented the report to the Committee.

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

- There had always been money to fund infrastructure but in the past the government had been unwilling to underwrite the potential risk.
- Since the announcement details had been scarce, there was a lot of turnover with ministers and there were still several details which needed to be made clear.
- If there was a new allocation, then this would cause an issue with the Fund and officers would be uncomfortable if they were required to take on more liquid assets.
- The Fund would not look to make specific investments; they would look to invest money with an infrastructure manager with a diverse portfolio which would offset risks so it would not require insurance on the investment.

- Any change in allocation would occur over several years which would enable the Fund to prepare.

**RESOLVED:**

- The Committee agreed to note the contents of this report.

**51/22 Progress Report for Quarter Ended 30 September 2022**

The Acting Head of Pensions and Treasury presented the Progress Report for Quarter Ended 30 September 2022 to the Committee and explained that over the quarter the fund had decreased in value by £20 million due to the performance in the bonds market, and equities continued to come down; Property also showed signs of decrease. The Acting Head of Pensions and Treasury explained that the portfolio had held up well due to diversification and reminded the Committee that that every pension fund was down across the industry.

The Pension Fund had increased from a 66% to a 97% funded position since the Acting Head of Pensions and Treasury had been with the Council.

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

- Officers had assessed the investment strategy and the investment strategy statement had to be reviewed every three years;
- The target allocation needed a slight adjustment rather than a complete overhaul.

**RESOLVED:**

- The Committee agreed to note the performance of the Fund for the quarter ended 30 September 2022.

**52/22 Exclusion of the Press and Public**

The following motion was moved by Councillor Young and agreed by the Committee to exclude 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.

**53/22 Progress Report for Quarter Ended 30 September 2022**

**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.

**54/22 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 11.19 am

**Signed:**

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**Date:**

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