

Pension Board

Meeting held on Thursday, 27 July 2023 at 2.00 pm in Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

Present: Michael Ellsmore (Chair);
Co-optees: Richard Elliott, Teresa Fritz, Ava Payne and David Whickman
Councillor Margaret Bird

Also Present: Ian Talbot

Apologies: Ava Payne (Lateness), Jane West

PART A

61/23 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday, 23 March 2023 were agreed as an accurate record

62/23 Disclosure of Interests

The clerk informed the Board that he had liaised with the Head of Democratic Services about drafting a bespoke Register of Interest for members of the Pension Board. The Chair asked to receive a draft of the new Register of Interest form before it was presented to the Board for approval.

Ava Payne arrived at 2.05pm

63/23 Urgent Business (if any)

There were no items of urgent business.

64/23 Report on Mansion House Speech by Chancellor of the Exchequer

The Acting Head of Pensions and Treasury explained to members that he was encouraged by the work that the chancellor would do in consolidating and helping smaller funds. The Local Government Pension Scheme would see an acceleration of pooling, investment 5% of scheme assets in levelling up assets and 10% of invested in private equity. The Croydon fund currently had a 10% allocation in private equity and therefore was already in line with this criterion.

The Acting Head of Pensions and Treasury informed the Board that the fund had assets which were pooled but were outside of the pool framework, the fund would need to bring these assets under pool management in future.

The Acting Head of Pensions and Treasury stated that the consultation was at the end of October 2023.

The Acting Head of Pensions and Treasury explained that he was slightly disappointed, he accepted that the chancellor wanted to invest more in the UK however there needed to be an investable asset.

Teresa Fritz expressed concern about the sovereignty that the pool would have over asset allocation.

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

- That asset allocation would lie with the administering authority and not the pool manager. Funding pools would have to focus on larger assets, whereas smaller funds could target smaller assets and get very good returns whilst having an access point into the larger assets.

The Board asked the Acting Head of Pensions and Treasury to respond to the consultation, expressing the concerns they have over the sovereignty and lack of clarity on who was responsible for meeting the target returns of the fund.

RESOLVED:

- To note the summarised contents of the annual “Mansion House Speech” made by the Chancellor of the Exchequer, in particular, its implications for defined benefits schemes in general and the Local Government Pension Scheme in particular.
- To comment on and note the consultation launched by the Department for Levelling Up, Housing & Communities entitled “Local Government Pension Scheme (England and Wales): Next steps on investments.”

65/23 Conflicts of Interest Policy

The Chair expressed his concern that the Pensions Committee decided to defer the conflict-of-interest policy and the Chair did not share their sentiment that the document was too long.

The Acting Head of Pensions and Treasury introduced the report and stated that he would make a slightly more concise report which mainly covered the operational procedure of the policy before re-presenting it to the Committee. The Acting Head of Pensions and Treasury explained that he would publish the full report once the policy had been agreed by the Committee.

Richard Elliott stated that that the Members had a responsibility to act in the best interests of the scheme rather than the Council. Richard asked who was responsible for monitoring the Head of Pensions and Treasury's conflicts of interest as there could be a situation where there may be a conflict in their roles as both the Head of Pensions and the Head of Treasury.

Teresa Fritz stated that the proposed conflict of interest policy did not address the issue regarding the composition of the Pension Committee as the administering authority currently had all the voting rights. The focus seemed to be on having an equal political representation rather than a focus on equal rights between Members, administering authority and employers. Teresa also felt as though the draft conflict of interest policy was imbalanced as the document referenced the Pension Board four times and only referred to the Pension Committee once.

The Board strongly supported the proposed conflict of interest policy and encouraged the Pension Committee to adopt a conflict of Interest policy as soon as possible.

RESOLVED:

- To comment on the recommended Conflicts of Interest Policy.

66/23 Governance Policy

The Acting Head of Pensions and Treasury introduced the report and explained that the policy had been updated from the last version which had been agreed in 2019. The proposed governance policy had already been adopted by the Committee and was now being presented to the Pension Board for comment.

The Chair believed that it was imperative that the Committee played a role in the selection of the actuary as he saw this as good governance.

In response to a question from a member, officers informed the Board that:

- Legally the pension fund and the Council were not separate which is why the actuarial appointment and advisor appointment was conducted by the Council rather than the Committee.

Teresa Fritz was concerned that there were a number of issues (climate change, pension dashboard and pooling) for the Committee members to consider, and if Members were not able to have a say in the appointment of the advisors then they may not be in a position to protect the fund and represent the interests of the employers.

The Board believed that the committee should play a greater role in the procurement of an actuary and the advisors.

RESOLVED:

- To review and agree the draft Governance Policy attached as Appendix A.

67/23 Governance Best Practice Compliance Statement June 2023

The Acting Head of Pensions and Treasury introduced the report and explained that officers had largely addressed the issues regarding employer representation and officers were now waiting for the constitution to be updated to reflect the agreed changes.

RESOLVED:

- To review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

68/23 Pension Fund Administration Strategy updated June 2023

The Pensions Manager introduced the report and explained that the Committee had approved the updated pension fund administration strategy, which had since been sent to employers for consultation. Officers had not received any feedback from employers, but the strategy was ready to be implemented once the consultation had concluded.

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

- The annual liaison meeting had been put on hold due to the pandemic, Alison was working on a new format for the meeting, and she would be able to make progress with the arrangements once she had fully recruited to her team. The meeting would likely be conducted over MS Teams.
- There was an online communication plan as part of the KPI report.
- The number of queries for the self-registration service indicated that there was a system error rather than a user error.
- The named contact for employers varied, sometimes it was the payroll officer and other times it was even the receptionist (in smaller organisations).

RESOLVED:

- To review and agree the draft Pension Administration Strategy Statement attached as Appendix A.

69/23 Croydon Pension Fund Administration Performance Update

The Pensions Manager introduced the report and explained that the end of year processes was all complete apart from with one employer who was in the process of changing payroll companies and had not provided the Council with any information. The Pensions Manager explained that if officers were unable to get information the employers for an extended period, then they would have to report the employer to the Pensions regulator as they were unable to complete their annual benefits statements.

The Pension Manager stated that regulation changes such as the change in discount rates affected officers calculations for transfers within the pension fund.

The Pension Manager explained that the service was about to go live with their bulk leaver calculations. The department had also invested in the insights reporting tool which would enable officers to interpret data and would allow the KPI reports to be automated.

The Pension Manager informed the Board that the service reported their data to the nation fraud agency every two years, however this would now shift to a monthly report which should reduce the number of pensions that were overpaid.

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

- The administration team had one vacancy; this position would be changed from an administrative role to a trainee role. There had been some delays with some aspects of the teams duties due to factor changes, but officers were on top of their workload.
- The technical team were checking to see if there was any missing data for the active members of the fund, the data for the deferred members of the fund had all been collected and officers were confident of meeting the deadline for the annual benefits statement.

RESOLVED:

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

70/23 Report on Breaches of the Law

The Acting Head of Pensions and Treasury introduced the report and explained that there was an update on the Councils accounts. The 2019/20 accounts the required accounting adjustments had been agreed and the accounts needed to be sent to the auditor to be signed off. The Acting Head of Pensions and Treasury was keeping the pensions regulator updated on how things were progressing with the accounts which were yet to be signed off.

The Acting Head of Pensions and Treasury explained that the Scheme Advisory Board (SAB) had written to the minister regarding a separation of the Councils accounts from the pension schemes accounts and the minister had responded in agreement with the suggestion.

The Acting Head of Pensions and Treasury Another breach was failure to provide refunds in a timely manner, this was because officers had to wait for members of the fund to contact them before a refund could be issued.

RESOLVED:

- To consider the contents of the Pension Fund Breaches Log, Appendix A, and to commented as appropriate.

71/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the report and explained that three of the risks had been removed from the risk register. The Acting Head of Pensions and Treasury removed these risk as the London CIV had resolved their resourcing issues; the Russia invasion of Ukraine was now considered part of the normal geopolitical risk and the risk relating to inflation and liquidity had now been added to the liquidity risk.

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

- The Head of Cyber Security informed officers on what to do regarding cyber security, officers stated that they will bring an interim report back on cyber security in October with an end date included.
- Officers were assessing the end of year report and in several years, they will be able to compare this with the data received from Mc Cloud. Officers had lowered the risk after assessing the data which they currently had.
- As part of the administration strategy there was a rule that stated that there would be fines issued for employers who did not provide data in a timely manner, however officers had not had the time or resources to fine individual employers.
- The London CIV provided a service looking at the Croydon's listed assets, this was a free service. They would also look at assets that sat outside of the funding pool.

The Board requested an interim progress report on cyber security to be presented at the Pension Board meeting on 19 October 2023.

RESOLVED:

- To note the contents of the Pension Fund Risk Register and comment as appropriate.

72/23 Training Update

The Acting Head of Pensions and Treasury introduced the report and explained that Hymans mandatory training had been issued for members to complete again, this was expected to be completed on an annual basis and would cover the bulk of the required training. The Acting Head of Pensions and Treasury stated that there was no clear deadline set for the board members to complete the training.

The Pensions Manager stated that they had spoken with the software provider who informed officers that they were prepared to conduct presentations on the procurement dashboard for members.

The Acting Head of Treasury and Pensions stated that he was looking to hold another training session on multi asset credit before the Pension Committee meeting on the 19 September and invited members of the Board to attend.

RESOLVED:

- To note the contents of the Pension Board Training Log (Appendix A).
- To note the mandatory training items in Appendix B.
- To consider what areas of training they would like to be included in any forward training plan.

73/23 Fund Representation Policy

The Acting Head of Pensions and Treasury introduced the report and explained that following the Scheme Advisory Boards (SAB) good governance review a policy for the representation of non-administration employers should be implemented. The Acting Head of Pensions and Treasury informed the board that officers had amended the funds policy and would present the draft of the policy to the Pensions Committee for agreement. The Acting Head of Pensions and Treasury stated that most of the changes were based on the rationale behind having one voting employer representative and a voting staff side member representative.

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

- The employer representative would be an external individual.

RESOLVED:

- To note the Representation Policy and comment as appropriate.

74/23 Scheme Advisory Board and The Pensions Regulator updates to 30 June 2023

The Acting Head of Pensions and Treasury introduced the report and explained that the report included all of the updates from the past year.

RESOLVED:

- To note the contents of the report.

Ava Payne informed the Board that she will be starting a 6-month secondment from the 1 October 2023, and she will be unable to attend meetings during this period.

The meeting ended at 3.28 pm

Signed:

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Date:

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