

## LOCAL PENSION BOARD

Meeting held on Thursday 7 January 2016 at 2.45pm  
in Room F10, Croydon Town Hall, CR0 1NX

### WRITTEN MINUTES – PART A

- Present:** Mr Michael Ellsmore (Chair);
- Employer Representatives;  
Councillor Hamida Ali (deputising for Councillor Mike Selva),  
Mr Richard Elliot, Mr Jolyon Roberts
- Employee Representatives;  
Mr David Whickman, Ms Nana Jackson-Ampaw, Mrs Teresa Fritz
- In attendance:** Freda Townsend (Governance and Compliance Manager),  
Nigel Cook (Head of Pensions and Treasury),  
Fahar Rehman (Governance and Compliance Officer),  
Ian Colvin (Hymans Robertson)

As part of the planned training programme, the Board received a presentation from Ian Colvin of Hymans Robertson on the subject of Local Government Pension Scheme (LGPS) benefits and regulations.

### MEETING ADJOURNED

At 2.45pm, the Chair proposed, and Councillor Ali seconded, that the meeting be adjourned for 15 minutes to allow for the conclusion of the training session.

The Board **RESOLVED** to adjourn the meeting for 15 minutes.

The Board re-convened at 3.00pm.

### A01/16 APOLOGIES FOR ABSENCE

There were apologies received from Richard Simpson (Assistant Chief Executive and Section 151 Officer) and Councillor Selva (Councillor Ali deputising on his behalf).

Apologies were received from Nana Jackson-Ampaw for leaving early at 3.05pm.

**A02/16 MINUTES OF THE LAST MEETING**

At page 1 of the minutes, under Conflicts of Interest, “Money Advice Centre” was amended to state “Money Advice Service”.

At page 3 of the minutes, the first paragraph was amended to read “...now down by a quarter of a million pounds.”

The Board **RESOLVED** that, with the above amendments included, the Part A minutes of the meeting held on 8 October 2015 be signed as a correct record of the meeting.

**A03/16 CONFLICTS OF INTEREST**

There were none.

**A04/16 URGENT BUSINESS**

There was no urgent business to consider.

**A05/16 EXEMPT ITEMS**

The allocation of business between Part A and Part B of the agenda was agreed.

**A06/16 REVIEW OF FUNDING APPROACH FOR ACADEMIES: CONSULTATION RESPONSES (item 6)**

The Head of Pensions and Treasury introduced the item. The consultation was prompted by concerns about the actuarial valuation process raised by some academy status schools.

A technical question from the Board was raised regarding how the actuary allocated assets and liabilities to scheme employers. It was felt that this would be best answered by directing the question to the Fund actuary and circulating the response to Board members. The Board considered that it was outside their remit to comment on whether the contribution rate calculation was fair although the consensus was that the process followed was technically accurate.

A Board member expressed dissatisfaction at how the consultation was conducted. A number of questions had been raised in the academies’ joint response but these were considered outside the scope of the consultation which was focussed on responding to four specific questions that were set out in the consultation. A general discussion took place at length regarding what channels could be utilised to gain responses to the questions and it was pointed out that the Employers’ Forum could be an appropriate environment.

It was agreed that the Chair would write to the Section 151 Officer to consider further communication and engagement with academies in understanding the issues regarding the calculation of the contribution rates for academies.

The Board **RESOLVED**:

- To note the contents of the report
- To authorise the Chair to write to the Section 151 Officer to consider further communication and engagement with academies in understanding the issues regarding the calculation of the contribution rates for academies.

**A07/16 REVISED STATEMENT OF INVESTMENT PRINCIPLES (item 7)**

The item was introduced by the Head of Pensions and Treasury. It was stated that the regulations require “appropriate” consultation on the Statement of Investment Principles (SIP), and officers were of the belief that consultation with this Board would be the most appropriate channel. After consideration by the Board, the SIP will be formally adopted and published on the website.

Responding to questions from the Board, the following was stated:

- Three Private Rental Sector (PRS) funds are being appraised by officers as potential investment cases and look very promising. One Board member questioned whether the upcoming London Mayoral elections would have an effect on this sector – in particular the Labour candidate’s proposed “fair rents” campaign. In addition it was queried whether investment in the affordable rental sector could be considered.
- It was confirmed that “insurance contracts” mentioned at page 28 of the statement were open ended investment companies.
- The target for investment in infrastructure is 10%, as per the table at page 27 of the statement. There are two forms of infrastructure investment – directly investing into a single project (for example High Speed 2), or investing in collections of assets such as wind farms or prisons. The latter were preferred by officers as it spreads the risk and many of these portfolios are underwritten by central government.

The Board **RESOLVED** to accept the contents of the report.

**A08/16 PENSIONS ADMINISTRATION STRATEGY CONSULTATION (item 8)**

The Chair noted that the Key Performance Indicators (KPIs) within the strategy were very comprehensive.

Responding to questions from the Board the Governance and Compliance Manager confirmed that the FRS17 was a legal requirement for employers to publish. It was also confirmed that point 13 within the table at page 76 included all non-local authority bodies within the scheme.

In response to a question regarding the voluntary severance scheme for Council employees, it was reported that nearly 200 staff had requested sessions to calculate how severance would affect pension entitlements. Officers were working hard to deal with all requests.

The Board **NOTED** the contents of the report.

**A09/16 CONSULTATIONS UPDATE (item 9)**

The Head of Pensions and Treasury introduced the item by stating that the recent proposal, to pool LGPS assets into 6 regional funds, each with around £25 bn of assets under management, originated in the Hutton Review and was announced during the Chancellor of the Exchequer's speech at Conservative Party Conference. The proposal is for a British sovereign wealth fund of six regional pools. The Croydon response will be based on investing through the London Collective Investment Vehicle (CIV) and consider the proposed London Pension Fund Authority (LPFA) and Lancashire partnership. The purpose of the proposals is to drive down fees and increase investment flexibility. It should be noted that fees have already been reduced in response to the proposal. There is a deadline for the consultation response of 19 February 2016 and a July deadline for a costed response. This will be a long term project as there are considerable obstacles to overcome before such changes could be enacted.

The Chair added that asset allocation would still stay with the Funds under these proposals; the pooling was focussed on fund managers. The Chair also requested that the Board receive details on Croydon's costs and what officers are doing through the frameworks to drive down costs.

A member of the Board emphasised that hidden costs was a crucial issue in this matter, particularly with private equity firms. West Midlands LGPS conducted a large scale project on this issue and required asset managers to provide all their invoices. The results of the investigation uncovered that nearly half of all costs had not been accounted for. Unison have conducted a similar investigation.

It was queried whether Croydon could conduct a similar, smaller scale investigation by picking one fund manager to scrutinise. The Head of Pensions and Treasury expressed agreement with this proposal but highlighted that it would be more difficult to conduct such an investigation

within the private equity investments as the relationship is indirect and there are a considerable number of managers. It was agreed that officers would look into the possibilities of such an investigation.

The Board **RESOLVED** to note the contents of the report

**A10/16**      **AGENDA PAPERS FROM THE LAST PENSION COMMITTEE** (item 10)

With regard to item 6 of the Pension Committee agenda, a question was asked regarding the table on page 102 and whether the benchmarks were in fact targets (as referenced at page 32 in the SIP). It was confirmed that the term was referring to benchmarks as stated in the SIP. The Board expressed interest as to whether performance at page 102 could be measured against the stated targets as well.

A question as to why some performance measures were not trigger events was raised. The Head of Pensions and Treasury explained that all fund managers were subject to regular close scrutiny. In addition, a number of issues are looked at when considering whether a trigger event is necessary, not simply performance. Factors taken into consideration include loss of key personnel, consistency of investments, and referrals to regulatory bodies. There is no specific underperformance percentage that will cause a trigger event.

The Board were reassured that all fund managers are visited at least once a year by officers. There is consistent dialogue and officers had no concerns with any managers at present. In addition, Aon Hewitt provides quarterly reports on manager performance.

In response to a question regarding divestment from pay day loans, it was reported that when the companies are listed on the stock market the invested money will be returned and that this was the mechanism by which the Fund can then exit these investments. It was highlighted that investments in pay day loans form a very small percentage of overall Fund investments.

The Board **NOTED** the contents of the Pension Committee papers.

**A11/16**      **CAMERA RESOLUTION** (item 11)

The Chair proposed and Councillor Ali seconded the moving of the camera resolution.

The Board **RESOLVED** that the Press and Public be excluded from the remainder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted,

that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

The Governance and Compliance Manager announced that a joint Pension Board and Pension Committee training session on actuarial evaluation will be held on 6<sup>th</sup> September 2016 at 10am.

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### SUMMARY OF PART B DISCUSSION

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#### **A12/16**

The remainder of the meeting included disclosure of exempt information (as defined by paragraph 3 of Schedule 12A in Part 1 of the Local Government Act 1972: 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)'). The minutes of the discussion are therefore also exempt and not available to the public.

A summary of the discussion is below, as required by section 100C(2) of the Local Government Act 1972.

Item B1: Minutes of the last meeting

The Board **RESOLVED** to approve the minutes.

Item B2: Report form the last Pension Committee

The Board **NOTED** the contents of the Pension Committee papers.

**The Meeting ended at 4.25pm.**