

LOCAL PENSION BOARD

Meeting held on Thursday 21 April 2016 at 2.45pm
in Room F10, Croydon Town Hall, CR0 1NX

WRITTEN MINUTES – PART A

Present: Mr Michael Ellsmore (Chair);

Employer Representatives;
Councillor Mike Selva and Mr Richard Elliot

Employee Representatives;
Mrs Teresa Fritz

In attendance: Freda Townsend (Governance and Compliance Manager),
Nigel Cook (Head of Pensions and Treasury),
Fahar Rehman (Governance and Compliance Officer),
Karen McWilliam (Aon Hewitt)
Michael Ferguson (Aon Hewitt)

As part of the planned training programme, the Board received a presentation from Keith Bray, Forum Officer at the Local Authority Pension Fund Forum (LAPFF), on the role of the LAPFF.

A12/16 APOLOGIES FOR ABSENCE

There were apologies received from David Whickman and Nana Jackson-Ampaw.

A13/16 MINUTES OF THE LAST MEETING

At minute number A06/16, a typo was identified in the sub-title.

The Board **RESOLVED** that, with the above typo corrected, the Part A minutes of the meeting held on 7 January 2016 be signed as a correct record of the meeting.

A14/16 CONFLICTS OF INTEREST

There were none; however Teresa Fritz declared that as part of her role with the Financial Services Consumer Panel she was currently working on a transparency paper.

A15/16 URGENT BUSINESS

There was no urgent business to consider.

A16/16 EXEMPT ITEMS

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

A17/16 REQUIREMENT TO POOL LGPS FUNDS (item 6)

The Head of Pensions and Treasury introduced the item. The Board were informed that the timing for the consultation meant that the Pension Committee could not sign off on the response for the submission deadline. However the Croydon submission was made in consultation with the Chair and Vice-Chair of the Committee. Since this time the government have decided that individual authority submissions are no longer required and require only collective responses from proposed pools. Croydon's intention is to continue within the London Collective Investment Vehicle (CIV).

The CIV is several years ahead of the rest of the country on pooling and its current operations can be divided into three branches;

- (i) A matrix of authorities' investments for the purposes of coordination;
- (ii) Identifying quality funds that the CIV believe will benefit its members. This will include access to previously inaccessible funds;
- (iii) Identifying new funds that the industry are developing that ought to be explored.

Board members expressed concern over the potential effect pooling may have on individual funds' sovereignty and whether political influences may affect decision-making in pooled funds.

Karen McWilliam highlighted the importance of funds to formulate clear investment strategies for which the pools will enable; this will also assist in holding pools to account with regard to the funds' individual strategies.

One Board member highlighted the importance of monitoring costs as many large asset managers are still hiding the true costs being charged. It was stated that driving down costs now would put Croydon in a better position when the CIV negotiates on this issue. It was proposed that experts in this field, such as Colin Meech from Unison, be used to support this issue.

The Head of Pensions and Treasury responded that the Department for Communities and Local Government (DCLG) is currently working with

CEM to collect costs data from funds in England and Wales. Concern was expressed over the methodology being employed and access to the information is currently not permitted.

The Chair committed to raising this issue at upcoming national meetings. It was also proposed that the issue of costs transparency be raised with the LAPFF.

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

A18/16 2016-2017 PENSION COMMITTEE FORWARD PLAN (item 7)

The Chair invited the Board to consider what proposed items of the Pension Committee business plan be included in the Board's work programme for the next municipal year. The following items were identified:

- The External Auditors report
- Risk Register
- Communication of draft employer funding positions and contribution rates from Scheme Actuary
- Final Funding Strategy Statement

It was agreed that an update on the pooling process should return to the Board. Additionally the Board were informed that the Triennial valuation training session, originally scheduled for the September Pension Committee, will now be held before the June Committee meeting. This is to be a joint training session for Committee and Board members.

The Board **RESOLVED** to note the contents of the report and add the identified items to the Board's work programme for the 2016-17 municipal year.

A19/16 ACADEMIES ACTUARIAL ASSESSMENT (item 8)

The item was introduced by Richard Elliot. After discussions with the actuaries, the current approach adopted by Croydon seems to be within a reasonable range of options and the changes would provide for academies to lose their liabilities for deferred and pensioner members. Ultimately there appears to be an issue of communication – where can the academies discuss these issues beyond the Employers' Forum.

The Governance and Compliance Manager added that with the new approach, deficit recovery would now follow the Council's and thus extended from 15 years to 22 years.

With regard to communication, it was stated that beyond the Employers' Forum, officers can and do arrange one-to-ones with employers in

surgery-style sessions. In addition officers facilitate meetings between employers and the actuary.

The Chair stated that the Board would wish to encourage communication between the parties as much as possible, and officers present were in support of this. The Chair further expressed thanks to Richard Elliot for the work done towards the report.

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

A20/16 AGENDA PAPERS FROM THE LAST PENSION COMMITTEE (item 9)

The Chair opened this item by highlighting that returns as illustrated on page 170 appear good against inflation. However there was concern raised regarding the negative figures for infrastructure on page 181.

The Head of Pensions and Treasury responded that infrastructure is notoriously difficult to measure but a more accurate rate can be obtained by measuring against the point of inception. Measured this way the infrastructure performance is good.

The Board were also directed to the Risk Register, specifically on page 125, for the red risk regarding employers becoming insolvent. This was rated as red due to a community body member going into liquidation and costing the fund significantly.

The Governance and Compliance Manager stated that part of the admission agreements with scheme members includes the ability of the fund to deduct deficits on non-payments from invoices, and such action has been undertaken in the past.

One Board member asked what indemnity was in place against scheme members whom suffer a major health retirement from a senior member of staff. For smaller employers, such a scenario could cause a serious risk of insolvency, with inevitable repercussions on the fund. There were reports that the Leicestershire fund were considering an insurance policy to cover such eventualities.

Officers present responded that premium costs to the fund may make such a policy cost ineffective, and attempting to charge scheme members additional rates for the policy may prove difficult. Officers agreed to look into the Leicestershire policy and report back to the Board.

Responding to a Board question on the upcoming EU referendum, the Head of Finance and Treasury stated that the uncertainty regarding the outcome had already had an effect on the fund, for example on currency investments.

The Board **RESOLVED** to note the contents of the previous Pension Committee agenda papers.

A21/16 CAMERA RESOLUTION (item 11)

The Chair proposed and Richard Elliot 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.

SUMMARY OF PART B DISCUSSION

A22/16 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.

Item B3: Governance Review

The Board heard from Karen McWilliam from Aon Hewitt who led on the review and the Board discussed the outcomes of the report.

The Board **RESOLVED** to send the Governance Review final report in its entirety to the next Pensions Committee and for the report to be considered a public document and moved into Part A.

The Meeting ended at 4.07pm.