

Pension Board
Minutes of the meeting held on Thursday 7 July 2016 in Room G4, the Town Hall, Katharine Street, Croydon, CR0 1NX

DRAFT

Present:

Mr Michael Ellsmore (Chair);

Employer Representatives:
Councillor Humayun Kabir
Mr Richard Elliot
Mr Jolyon Roberts

Employee Representatives:
Mr David Whickman
Mrs Teresa Fritz

Also present: Victoria Richardson (Head of HR and Finance Service Centre), Freda Townsend (Governance and Compliance Manager), Richard Simpson (Assistant Chief Executive and Section 151 Officer), Nigel Cook (Head of Pensions and Treasury),

Absent: Ms Nana Jackson-Ampaw

Apologies: Ms Nana Jackson-Ampaw

A1 Minutes of the last meeting

The Board **RESOLVED** to approve the Part A minutes as a correct record of the meeting.

A2 Disclosure of Interest

There were none, however for transparency Teresa Fritz declared that she had been appointed to the Investment Association (IA) Advisory Board which will oversee the IA's work on transparency of pension funds costs and charges. This work will be of particular interest to Pension Scheme Trustees and LGPS Local Pension Boards and Committees. Teresa Fritz also declared her interest to the IA as a LGPS Pension Board employee representative

A3 Urgent Business (if any)

There was no urgent business to consider.

A4 Exempt Items

The allocation of business between Part A and Part B of the agenda

was agreed.

A5 Actuarial Assumptions

The item was introduced by the Head of Pensions and Treasury by assuring the Board that, despite the current condition of the stock market, the Fund is well diversified and therefore shielded from the worst effects of the current volatility. The report illustrates the steps taken towards the actuarial evaluation of the Fund. Two assumptions were agreed by the Pension Committee: that asset performance will be 2.2%, and pay growth will be 1% and thereafter linked to the Retail Price Index (RPI) and not Consumer Price Index (CPI).

In response to questions from the Board, the following was stated:

- The last time life expectancy was considered, an increase of a few years was added. This time around it may be prudent to re-evaluate this assumption due to public health issues such as obesity.
- At the Employers' Forum in June the actuary was in attendance to deliver a presentation on the assumptions process. Officers are in dialogue with all employers regarding the process and indicative numbers will be provided in due course. By the end of this year there will be individual discussions with each employer to discuss detailed information on their data sets which will be used to calculate their liabilities and contributions. The evaluation itself is planned to take place in April 2017.

In response to questions from the Board, the Governance and Compliance Manager stated the following:

- The issue of receiving data from academy payroll services is an ongoing and historic problem which involves a lot of officer time chasing the different providers for all the data. In particular, payroll services are not providing updated information relating to leavers and new starters.
- There are a number of payroll providers used by academies in Croydon and attempts have been made to standardise the data submission but not all providers follow it.
- Officers are currently procuring new IT software that will be able to deal with some of the data issues more effectively and update records on a monthly basis. Progress on obtaining this software will be brought to the next Pension Board.

In response to questions from the Board, the Assistant Chief Executive stated the following:

- The introduction of the London Living Wage will have a negligible effect on the assumption rate of 1% as it will only affect a small number of staff. All directly employed Council staff are already on the London Living Wage.
- The pay growth assumption is based on the prediction that

central government austerity measures will continue until at least the pay review in 2020.

- The reasons for preferring RPI over CPI are explained in page 27 of the report, and is primarily due to the inclusion of housing costs in the RPI.
- The rates agreed at Pension Committee are working assumptions that can be reconsidered if and when circumstance change.

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

A6

Academies in arrears of LGPS employer contributions

The Head of Pensions and Treasury introduced the report by explaining that the Pension Committee were asked to confirm whether they were satisfied with the course of action being pursued by officers for recovery of contributions.

In response to questions from the Board, the Assistant Chief Executive stated the following:

- Since the report went to Pension Committee, some of the academies have honoured their debts, but a number still remain outstanding. The next steps are to issue legal proceedings for recovery of the payments in arrears. Prior to issuing, the intention is to hold a meeting between the academies and the actuary in an attempt to come to agreement on contribution rates.
- The legal costs will be borne by the Fund for now, however if the case is successful then a costs order will likely be imposed by the court against the academies.
- The dispute with academies is centred on how contributions are charged, and not the overall figure of liabilities.

In response to questions from the Board, the Head of Pensions and Treasury stated the following:

- Benefits from the LGPS are set by statute and therefore employee members will not be affected by the current arrears situation. Whilst there are extreme measures that can be taken by the Secretary of State it is unlikely to be used in this context.
- The actuarial evaluation will pick up on lost interest due to the payments being in arrears.
- Central government undertook a consultation on how to work with academies on this issue. Unfortunately the consultation was never closed and thus there has been little guidance forthcoming.

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

A7 CIPFA survey: Local Pension Boards one year on

The Chair of the Pension Board introduced the report. The findings illustrate that the Croydon Pension Board operates broadly in line with other local authorities. Appendix A to the report shows the full findings of the survey, which captured data from 59 Local Pension Boards.

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

A8 Local Pension Board annual report

The Chair of the Pension Board introduced the report. It was stated that the Board's annual report would be appended to the Fund's annual report. The Fund's annual report was requested to come to the next meeting of the Board in October. As the final plans for regional pooling must be submitted by July of this year, it was agreed that considering an item on the London CIV at the next Board meeting would be timely. This was important as there is as yet no academic certainty on the efficiency of pooling where this has been undertaken in other countries such as Holland and Canada.

In response to questions from the Board, the Head of Pensions and Treasury noted that the target set by the Pension Committee for infrastructure investment was 10%. The Fund is currently at 7% investment and so officers are considering further possibilities in this sector. There are a number of large infrastructure projects that central government would like pools to invest in such as HS2 and Gatwick airport, however funds cannot be forced to invest in such schemes.

The Board **RESOLVED** to approve the annual report.

A9 Agenda papers of the last Pension Committee

The Chair of the Pension Board introduced this item by inviting officers and Board members to highlight any matters arising from the Pension Committee papers.

The Head of Pensions and Treasury stated that the Board's Governance Review was received by the Pension Committee. The review was welcomed by the Committee and both it and the Board have agreed to a cycle of six-monthly updates on progress in achieving the matters identified in the report. In response to questions from the Board, the following was stated:

- The National LGPS Framework is designed to allow for simple procurement of services, with standardised terms and conditions and maximum chargeable rates.

- The past five years have been very turbulent economically and politically – from the Greek financial collapse to the Russia and Ukraine crisis. Despite this, the diversification of investments has shielded the Fund from the worst effects of this volatility.
- The benchmarking contained in Appendix A of the performance report are set by the fund managers themselves, however officers keep a close scrutiny on the levels set.
- The underperformance of the Fund in relation to the benchmarks is due to the current transitory period the Fund is in, moving to a new investment strategy. There is still approximately 40 to 50 million pounds to invest as part of the new strategy and it is expected that the targets will be met after these steps are implemented.
- Approximately 40% of the Fund's investments are index trackers.
- Standard Life investments are slightly under due to concerns several years ago that there was a bond bubble likely to burst. In response, approximately one third of these investments were moved into absolute returns, thereby giving it some downside protection.

The Governance and Compliance Manager stated that the Fund is preparing to procure actuary and advisory services through the National LGPS Framework. The current plan is to attain the services of one scheme advisor for core work and tender for one-off specialist services as and when it is required.

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

Before the CAMERA resolution was passed, the Board discussed the work programme for the coming municipal year. The following items were to be added to the agenda for the October meeting:

- Valuation training
- London CIV update

The following items were to be added to a future meeting:

- Pension taxation
- Costs and charging

A10

Camera Resolution

Teresa Fritz proposed and Councillor Kabir 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

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: Agenda papers of the last Pension Committee

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

The Meeting ended at 3.22pm.