

## **Pension Board**

Meeting of the Pension Board held on Thursday, 10 January 2019 at 2.00 pm  
in F10 - Town Hall

### **MINUTES**

**Present:** Michael Ellsmore (Chair), Richard Elliot, Teresa Fritz and David Whickman

**Also Present:** Nigel Cook, Head of Pensions and Treasury  
Mary Lambe, Senior Benefits & Governance Consultant, Aon

### **PART A**

#### **1/19 Minutes of the Previous Meeting**

At the outset of the meeting, the Chair notified the Members of the Board that the death of Councillor Maggie Mansell had been announced. Councillor Mansell was noted for being a long serving Member of Council and a former Mayor. Her active contribution to the Board and her knowledge of the pension arena were noted. The Chair spoke on behalf of the other Board Members to express his sorrow at this news and to note that Councillor Mansell would be much missed.

The minutes (Part A) of the previous meeting held on 15 November 2018 were accepted as a true and accurate record.

#### **2/19 Disclosure of Interests**

There were no disclosures of interests.

#### **3/19 Urgent Business (if any)**

The Chair agreed to take an update on the governance review as an item of urgent business. Mary Lambe, Senior Benefits & Governance Consultant, Aon, was invited to provide the Board with an update report in anticipation of the final report of the governance review coming to the Board's meeting in March 2019. The Board was informed that Aon had been commissioned last year to undertake work in three key areas:

- Compliance with the Pensions Regulator's code of practice;
- A review of governance arrangements (and to compare this with the review conducted three years ago); and
- Look at the activity being conducted with the London CIV.

It was explained that all Board Members were to receive an effectiveness questionnaire as part of the review process. This would also be sent to Pension Committee Members and used to understand how Members feel about the effectiveness of meetings, the relevance of the training etc. It was highlighted that this would be provided electronically with all responses remaining anonymous. It was agreed that the questionnaire would come to the Board first and then go to the Committee. Members of the Pension Committee would receive a reminder that the questionnaire was to be provided.

The Board was reminded that it had been established for three years and that its terms of reference were focused on compliance and regulation; the review and resulting report were to enable prioritisation and areas for focus going forward. It was noted that the Board acts as a critical friend of the scheme administrator; the benefits of the relationship had become increasingly obvious.

Whilst the role of the Regulator was defined in legislation and the code of practice, there was increasing evidence of activity happening locally through the work of Pension Boards. The focus was on enabling and educating to ensure fund administrators were carrying out their work adequately. Where this work was not taking place the Regulator wanted to know what had happened, what was going to be done to address any issues and then would be active in ensuring that this happened. For example, through regular telephone calls regarding the implementation of any improvement plan. It was noted that whilst reference was made to the Regulator being able to issue fines these were yet to be seen. Impact was being achieved through the desire to avoid reputational damage.

In response to comments and questions from Board Members it was noted that:

- Administration of schemes was often the poor relation of the fund. Whilst resources might be limited, administration could not slip and this would be highlighted in the report;
- Findings were emerging from the compliance review being conducted by the Pension Regulator;
- The governance review was about 90% complete with findings positive. However, it had been found that there was still a need to focus in some areas. For example, training and ensuring conflict of interest policies were in place. These needed to be maintained and reviewed on a regular basis (every three years). How the Board's training needs were assessed needed to be considered. It was noted that there was a legislative requirement for knowledge and understanding. It also had to be considered how this knowledge base could be demonstrated to the Regulator;
- Aon had its own governance framework tool which could be used to measure and undertake the governance review;
- Assessing progress against the recommendations made as part of the last review was in hand; it had been established that items such as putting in

place the risk register and expanding the terms of reference of the Pension Committee had been completed; and

- The information gathered would be used to benchmark the effectiveness of Croydon's Pension Board against others allowing learning to take place.

4/19

### **Update report**

The Chair raised the issue of the report being tabled for the meeting and highlighted the need for it to be provided in advance. The Head of Pensions and Treasury gave his apologies noting the lateness had not resulted from staffing issues but from the degree of manual adjustment required; the system used to record and collate data was not straightforward.

In response to Board Member comments and questions, it was established that:

- The Head of Pensions post was vacant with this about to be advertised. It was highlighted that all posts in the team were filled apart from this role which was being covered by two team leaders;
- Around 1,000 business as usual cases were being processed each month. This included anything from an address change to notification of retirement. It was reported that work had started on the triennial valuation which had thrown up some errors. It was being explored if it was possible to allocate the administration to an external service to allow the service to catch-up. The resource involved in managing deferred pensions was specifically emphasised. Progress against the backlog of cases was reported; and
- Members requested to understand the extent of business as usual cases that were not being addressed within the month and therefore remained outstanding. The concern was to avoid a worsening situation in the future. It was agreed that this should be addressed once the new Head of Pensions was in post and could report on performance.

**RESOLVED:** The Board noted the content of the report and the information on Key Performance Indicators as set out including the section on staffing and the data scores as required by the Pensions Regulator.

5/19

### **Asset transfer**

The Chair updated the Board; its response on the Property Asset Transfer had been shared with the Members of the Pension Committee following the meeting in November 2018. This had accurately reflected the Board's view (for example, including reference to protection for the non-Croydon Council employers and de minimis arrangements).

It was noted that the Pension Committee had agreed the Property Asset Transfer recommendation and that for the first time this had put the Committee and Board out of step with each other. This raised the question of

whether this brought to a close the Board's responsibility on the matter. Members expressed their concern that a reduction in employer contributions at a time of uncertain economic conditions may result in a reduction in the value of the fund and possibly a larger deficit in the future. Whilst it was assumed it would be for the Council to address an increase in the deficit, it was noted that it would be more concerning if this were to become the responsibility of any other member of the fund. Whilst it was established that the Pension Regulator's remit excludes investment matters, it was questioned whether this might actually regard the solvency of the fund.

The Head of Pensions and Treasury highlighted that the Secretary of State provides guidance on reaching funding goals and that diversity in the fund provides a flattening effect and removes volatility.

It was acknowledged that the actuary had stated the contributions of one Scheme Employer will not affect those of the others. However, Members were struggling to understand how this part of the fund will be ring-fenced. Members were also of an opinion that there remained a conflict of interest with Members making specific reference to the role played by Eversheds.

**RESOLVED:** The Board noted the response made to the Director of Resources as detailed in the report. It was also agreed to take legal advice (possibly from the Monitoring Officer) on whether or not the Board had fulfilled its legal duty and seek further information on how the ring fencing of non-Council employers will work.

#### 6/19 **Forward plan**

**RESOLVED:** The Board RESOLVED to review the policy documents as invited by the Pension Committee and detailed in paragraph 3.2 of the report. The only acceptance to this was the Discretions' Policy for the Council which the Board regarded as inappropriate to its remit.

#### 7/19 **Scheme Advisory Board Horizon Scanning**

The Head of Pensions and Treasury highlighted that the actual costs of the LGPS scheme were under the value stipulated and therefore there was potential to augment the benefits of the scheme.

Discussion of the possible future impact of Brexit highlighted that this might make payments to overseas accounts more difficult. However, the Head of Pensions and Treasury noted that the scheme is prohibited from making payment to any overseas account.

#### 8/19 **London CIV update**

The Head of Pensions and Treasury introduced the item highlighting that the Government was promoting more activity to go through the London CIV but that this was being jeopardised by the lack of a transition team. A concern was expressed that payments were being made into the London CIV's bank account but as the final destination for funds was different this was effectively co-mingling which should be considered bad practice. This was going to be raised by the Chair of the Pension Committee with the London CIV and escalate further if required.

9/19 **Training review**

The Members of the Board identified two training needs: 1) on the actuarial valuation and 2) long term developments. Where these were also a training need for the Members of the Pension Committee, it was agreed that training might be provided jointly.

10/19 **Exclusion of 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 by the Chair and was agreed by the Committee to exclude the press and public for the remainder of the meeting.

11/19 **Minutes of the Previous Meeting (Part B)**

The minutes (Part B) of the previous meeting held on 15 November 2018 were accepted as a true and accurate record.

12/19 **Asset transfer (Part B)**

This item was discussed under item 6.

The meeting ended at 4.00 pm

**Signed:**

**Date:**

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