

Pension Committee

Meeting held on Tuesday, 14 March 2023 at 10.00 am in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Callton Young OBE (Chair);

Councillors Simon Brew, Richard Chatterjee, Patricia Hay-Justice,
Yvette Hopley and Aladair Stewart

Co-opted Members: Ms Gilli Driver and Charles Quaye

Also

Present: Councillors Clive Fraser (Online), Stuart Collins (Online)

Apologies: Councillor Nina Degrad and Endri Llabuti

PART A

55/23 Minutes of the Previous Meeting

The minutes of the meeting held on Tuesday, 6 December 2022 were agreed as an accurate record subject to the following amendment:

That removal of Peter Howard from the attendance list as he was not present at the 6 December meeting.

56/23 Disclosure of Interests

The Committee agreed that their register of interest forms were up to date.

57/23 Urgent Business (if any)

There were no items of urgent business.

58/23 Funding Strategy Statement and Satellite Policies

The Acting Head of Pensions and Treasury introduced the item and explained that the purpose of the report was to round up the process of setting the valuation and Funding Strategy Statement (FSS). During the 11 October 2022 meeting, the Committee discussed the FSS and adopted the draft FSS. The FSS has since been out for consultation to the other employers within the Fund and there had been no suggested changes to the proposed FSS.

Officers had also issued employers with their contribution rates for the next three years as part of a plan to keep contribution rates stable. As the employers had received their contribution rates, the Actuary was now able to sign off the Rates and Adjustments Certificate for all the employers and this process would be completed by the end of March 2023.

In response to questions from Members, Officers informed the Committee that:

- The appendices would be updated within the final statement which would be published.
- During the consultation, officers conducted a webinar with the academies and separate webinars with other employers. Broadly speaking the future funding rate counteracted the benefits that the Employers had received from the past service deficit rate. As the funding level had improved, the service deficit rate had decreased but the future service rate had increased. Officers were confident that employers would accept the contribution rates.
- The Committee set the policy for the FSS and the Actuary determines the contribution rates based on the funding strategy.
- The Actuary was responsible for signing the Rates and Adjustments Certificate.
- The Actuary would make sure the assumptions that had been made in the funding strategy were still valid amidst any changes to interest rates.

Resolved to:

- 1.1 Note the outcome of the recent consultation on the Funding Strategy Statement.
- 1.2 Adopt the Funding Strategy Statement, included as Appendix A.
- 1.3 Adopt the Policy on Contribution Reviews included as Appendix B.
- 1.4 Adopt the Policy on Academies Funding, included as Appendix C.
- 1.5 Adopt the Policy on Bulk Transfers, included as Appendix D.
- 1.6 Adopt the Cessation Policy, included as Appendix E.
- 1.7 Adopt the Prepayments Policy, included as Appendix F

59/23 Pension Fund Medium Term Business Plan 2023-26

The Acting Head of Pensions and Treasury introduced the item and explained that Officers had completed the valuation sign off, had assessed the good governance guide and were working on a good governance action plan moving forward. Officers were slightly concerned that they could find themselves in a position where the cash flow within the scheme would become negative. However, they are confident that this would not pose a threat to liquidity over the next three years as there was enough investment income being generated by the Fund which could be accessed.

In response to questions from Members, Officers informed the Committee that:

- The Fund had a large buffer of around £40 million in cash and had received good returns on the cash.
- Drawing other income within the Fund this would relate mainly to the LGIM equity portfolio. Officers estimated that there was a 2-3% dividend income that could be drawn from LGIM.
- They expected cash from distributions from private equity and infrastructure investments to outweigh calls to the investments so generate more income to the Fund over the next few years.
- In the resourcing budget the department was showing six vacancies, there were currently two temporary workers and the plan moving forward would be to fill these vacant positions.
- Officers had been in contact with other local authorities on how to manage the workload and had explored whether a shared service would be the best practice to cover the vacancies within the pensions and treasury service. The Corporate Director of Resources & S151 Officer stated that she would provide updates on the structure of the department to the Committee within the next four months.
- Liaising with other boroughs would enable the service to become more resilient.
- The proposal for the amendment to the voting rights on the Committee was with the Monitoring Officer and a decision would likely be made by May 2023.
- Inflation had been factored into the budget for the new financial year and was part of the business plan.
- The funding came from the Pension Fund and there were not the same financial pressures on the Fund as there was on the Council's budget.
- There was no requirement to make any further savings on the staffing budget, so there was no plan to reduce the number of staff in the service.
- Last year there was a bulk transfer in as part of the South London Waste Partnership exercise of around £15 million. This year part of the backlog exercise was to identify the transfers out, these were now being processed and had made the figure higher than expected but the Acting Head of Pensions and Treasury forecasted this to decrease over the next financial year.
- Transfers in and out tended to balance out overtime.

Resolved:

1.1 To comment on and agree to the recommended Medium Term Business Plan 2023/26.

60/23 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the item and explained that the 2019-20; 2020-21 and 2021-22 accounts which were outstanding

should be reported to the pension's regulator. The Pension Board had already suggested that the outstanding accounts should be reported suggested that the Committee might want to file a joint report.

In response to questions from members officers informed the Committee that:

- At present, there were three years' worth of accounts to be signed off, this was not the case for other members of the Local Government Pension Scheme (LGPS).
- The audit for the 2019-20 accounts for the pension fund had been substantially completed but the accounts still needed to be signed off.
- A report on the outstanding accounts would be drafted after the meeting.
- The Breaches Log was presented to the Pension Board and Committee at every meeting and if there was an item that affected a member then they would be notified.
- There was a governance risk by not having the accounts signed off but there was no risk to member benefits. If there was a material risk to members, then Officers would inform the membership.

A Member stated that 'the failure to publish minutes' item on the breaches log should be changed from an 'amber' rating to a 'green' rating as the minutes for the Pension Committee were now being published in a timely manner.

Resolved to:

- 1.1 Consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.
- 1.2 Agree to the filing of a joint report with the Pensions Board to The Pensions Regulator for failing to publish audited Annual Report and Accounts within statutory deadlines for the years 2019/20, 2020/21 and 2021/22.
- 1.3 To move 'the failure to publish minutes' item on the breaches log from amber to green.

61/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the item and explained that two new risks had been added to the risk register, these were 'conflicts of interest' and 'climate change'. The Acting Head of Pensions and Treasury stated that the conflicts of interest had been a longstanding issue which was why there was a need for the conflict-of-interest policy which now sat with the monitoring officer. The Acting Head of Pensions and Treasury explained that work had begun on the investment strategy, and this would factor in the climate change risk to any portfolio.

In response to questions from members officers informed the Committee that:

- The reason for holding large amounts of cash was to ensure there was sufficient liquidity in the Fund as higher inflation leads to increased benefit payments. At present, there was a lot of volatility in the market and following the investment strategy review they would re-assess their stance on the amount of cash held. The Fund was currently receiving a better return on the cash than any asset they could have invested in.

Resolved to:

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

62/23 Croydon Pensions Administration Team Key Performance Indicators for the Period From November 2022 to January 2023

The Pension Manager stated that the team continued to perform well on business-as-usual tasks from November 2022 to January 2023.

There had been a focus on preparation for end of year and an anticipation of the annual allowance for 2022-23 which officers were concerned would affect more people given the pension revaluation in line with CPI of 10.1%.

The Pension manager explained that the team had focused on inter-fund transfers this quarter, and that auto aggregation had caused many more transfers and officers had to ensure the removal of any false negative annual allowance calculations.

The Pension Manager confirmed that there had been an addition to the team in January 2023.

Resolved to:

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

63/23 Review of Committee Training

The Acting Head of Pensions and Treasury introduced the item and explained that the investment workshop in February 2023 was well attended and invited Members to inform Officers if their attendance for any training sessions had not been recorded.

In response to questions from Members, Officers informed the Committee that:

- There were several free courses ran by investment managers and if a member believed that the course was relevant then their attendance would be recorded.

Resolved to:

1.1 Note the contents of the Pension Committee Training Log.

64/23 Local Government Pension Scheme Advisory Board/The Pensions Regulator Update

The Acting Head of Pensions and Treasury introduced the item and explained that the report advised the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator.

Resolved to:

1.1 To note the contents of the report.

65/23 Progress Report for Quarter Ended 31 December 2022

The Acting Head of Pensions and Treasury introduced the item and explained that there had been a slight increase in the asset value over the period. The main reason for the increase was due to an increase in the bond and private equity portfolios, the decrease in the predicted interest rates from the previous quarter led to an increase in the value of the bond portfolios.

The Acting Head of Pensions and Treasury stated that the property valuations had significantly decreased over the quarter due to increased interest rates. Increased interest rates mean that other investments such as bonds become a more attractive investment relative to property. The valuation of the Fund had held up largely to due to the diversification of assets that the Fund had been invested in.

In response to questions from Members, Officers informed the Committee that:

- The Schroders allocation covered a range of property types, but primarily commercial and the M&G property fund was entirely residential.
- The asset class performed badly over the quarter rather than managers. Schroders had outperformed the property benchmark which highlighted their importance to the Fund.
- There had been a squeeze for liquidity in Q3, so there was a need for pension schemes to raise capital at a short notice which led them to re-assess their investment strategies and place a higher emphasis on liquidity. This led to an increase in the number of sales of properties in the quarter.
- Knightsbridge was the venture capital fund within the portfolio and they did not bank with Silicon Valley Bank so there was no direct exposure

however the underlying companies that were invested in may have exposure.

Resolved to:

1.1 Note the performance of the Fund for the quarter ended 31 December 2022.

66/23 Exclusion of the Press and Public

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.
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67/23 Progress Report for Quarter Ended 31 December 2022

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The meeting ended at 11.51 am

Signed:

Date:

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