

## **Pension Board**

Meeting held on Thursday, 17 October 2019 at 2.00 pm in F10, Town Hall, Katharine Street, Croydon CR0 1NX

### **MINUTES**

**Present:** Michael Ellsmore (Chair);  
Richard Elliott, Teresa Fritz, Daniel Pyke, Ava Payne and David Whickman  
Councillor Jerry Fitzpatrick

**Also Present:** Councillor Andrew Pelling, Nigel Cook (the Head of Pensions and Treasury),  
Mary Lambe (Aon Consultant), Gill Nelson (Pensions Manager) and Victoria  
Richardson (Head of HR and Finance Service Centre)

### **PART A**

#### **40/19 Minutes of the Previous Meeting**

The minutes of the meeting held on 11 July 2019 were agreed as an accurate record.

In relation to item 39/19, the Chair noted that the invite to attend the Board's January 2020 meeting had been accepted by Robert Holloway, the Secretary of the Scheme Advisory Board. This session would be used to provide Board members with training on the role of the Local Government Pension Scheme Advisory Board and its view on the role of Pension Boards.

#### **41/19 Disclosure of Interests**

There were no disclosures of interests.

#### **42/19 Urgent Business (if any)**

There were no items of urgent business.

#### **43/19 AON Governance Review**

The Head of Pensions and Treasury introduced the item by explaining the procurement process for the Governance Review; Croydon belonged to the National Local Government Pension Scheme framework (the Framework) which was used to procure the scheme actuaries, investment advisers and lawyers. The same approach had been used to tender for the Governance Review with Aon being awarded the contract for Governance Consultancy through the Framework.

The Aon Consultant provided a presentation highlighting the key points from the Governance Review. It was explained that the review consisted of desk-based research and consultation with Pension Board and Committee members as well as officers using an effectiveness questionnaire. The work also comprised a check of progress against the recommendations made when the governance of the scheme was last reviewed in 2016 and it also incorporated a review of the governance of asset pooling. It was noted that in addition to the Governance Review there was also an independent assessment of the Fund against the Pensions Regulator Code of Practice (Code 14).

Overall governance was established to be at a good level with a number of improvements found based on the review conducted in 2016. Areas that could be improved were highlighted:

- Undertaking business planning on a three yearly basis across both the Pension Board and Committee enabling activity outside of the usual business cycle to be scheduled and undertaken. Examples included the consultation response which is expected on pooling guidance and how any changes would be implemented and work relating to outcomes from the McCloud judgement. A longer term approach to business planning would enable sufficient budget and other resources to be allocated as well as training to be planned;
- Introduce a Pension Fund Conflicts of Interest Policy, with regular training;
- Establishing a fund wide training policy covering Pension Board and Committee members in addition to relevant officers. This should be published on the scheme's website;
- Ensuring that within each policy there was clarity on the objectives of the fund, the risks, who was consulted and how it was approved. Policies should also reflect the relationship with the CIV. All policies should be published on the scheme website in order that they be made more accessible to scheme members and employers;
- Ensuring that policies achieved the stated best practice;
- Ensuring there was a system in place to monitor and record breaches of the law. There needed to be a process for reporting any breaches to both the Pension Board and Committee and to define the point at which a report needed to be made to the Regulator. Monitoring was also needed to ensure an issue wasn't developing over the longer term that would lead to a material breach. It was observed that these processes might already be in place but that evidence wasn't seen as part of the Governance Review;
- Ensuring adherence to the new guidance on the publication of the scheme Annual Report and Accounts from the Chartered Institute of Public Finance and Accountancy;
- Oversight of the risk register which was only accessible in part to the Governance Review; and
- Updating the Constitution to be consistent around the respective responsibilities of the Pension Board and Committee. This needed to ensure the scheme of delegations clearly documented and reflected arrangements with the London CIV.

In response, the Board discussed the key findings of the Governance Review:

- Conflicts of interests: it was highlighted that Croydon Council dominated as the main employer as well as being the administrator of the fund. It was noted that technically the two are the same legal entity. This made Board members nervous as there was instinctively a desire for a clear separation between the two. The Aon representative highlighted that there was no single model of best practice and that there were other authorities facing similar issues with discussions ongoing on good governance at the Scheme Advisory Board. It was recommended that conflicts should be listed to demonstrate there was understanding of the risks, providing clarity to lessen concern;
- Resourcing: sufficient resources needed to be allocated to enable the recommendations to be implemented. The Governance Review report would be presented at the Pension Committee's meeting in January 2020 with an action plan to be presented thereafter. The Board stressed the importance of addressing resourcing in the action plan; and
- Risk register: it was suggested that monitoring needed to happen to ensure employers are fulfilling their payments on a quarterly basis. The Head of Pensions and Treasury noted that reporting can be a challenge given some missed payments are genuine mistakes or disagreements as opposed to there being problems with cash flow etc.

**RESOLVED:** The Board AGREED to fully endorse the findings of the Governance Review and to invite the Pension Committee to develop and, importantly, fully resource an action plan to comply with the Regulator's Code of Practice.

The Board thanked Aon for all its work on the review.

#### **44/19 Croydon Local Government Pension Scheme Administration Team Performance Report for October 2019**

The report was introduced by the Head of HR and Finance Service Centre. It was noted that the processing of two death notifications had exceeded the target reflecting the difficulties that can be experienced in finding out the details of the next of kin etc. It was reported that the backlog on new starters was being cleared. The issue of annual benefit statements to members was 97% against target which was therefore confirmed as not being in material breach of the regulations. Issuing of annual benefit statements in approximately 25 – 30 cases was still being investigated.

From October 2019, any new leavers from the scheme would be processed within the legal deadline allowing the backlog to be ring-fenced. A business case had been written to procure external support to address the backlog. It was reported that the internal process was being followed and was anticipated to take several months with a likely start in January 2020 even though the Local Government Procurement Supplier list was being used.

Members expressed their desire to encourage the administering body to fast-track the procurement process given that one of the statutory KPIs was only achieving 24% against the target, and a second was achieving only 47.7%.

In discussing vacancy levels with the Pension Administrations Team, it was established that the Governance Team Manager role remained vacant with no suitable candidate having applied when advertised. As a result, the recruitment was to start again. Board members recommended the use of a specialist recruiter and the training offered by the Pensions and Lifetime Savings Association in order to encourage staff retention.

**RESOLVED:** The Board AGREED to recommend that all steps possible be taken to ensure the administration of the scheme is adequately resourced and meets its statutory targets. It was agreed that the Independent Chair of the Pension Board would write to the Executive Director of Resources (copying in the Cabinet Member for Finance and Resources) to communicate this recommendation.

The Board thanked officers for their report and agreed that its structure was providing the information needed.

#### **45/19 Risk Register Review**

The report was introduced by the Head of Pensions and Treasury highlighting two significant risks: 1) Brexit and 2) the London CIV.

With regard to Brexit, it was noted that the number of non-UK European citizens in the scheme was unknown as this did not have to be declared. On the London CIV it was explained that its newly appointed Chief Investment Officer had decided to leave the role after three weeks in post due to personal issues. Additionally, that the fund manager of its emerging markets fund had left and had taken the rest of the team with them and that Ares had withdrawn their CIV offering.

**RESOLVED:** The Board AGREED to note the report.

#### **46/19 Scheme Advisory Board Annual Report**

**RESOLVED:** The Board AGREED to note the report.

#### **47/19 The Pensions Regulator: Governance and administration risks in public service pension schemes**

The report was introduced by the Head of Pensions and Treasury who noted that the Pensions Regulator had published findings arising from the survey of the governance and administration of 10 UK Local Government Pension Scheme funds.

Board members noted the finding (paragraph 3.5 of the report) that it was important scheme managers recognise, and maintain, a separation between the Fund and the Local Authority.

Concern was expressed by the members of the Board regarding cyber security and scams. Further information would be provided by the Head of HR and Finance Service Centre on the checks and balances currently in place should a request be made for a pension to be cashed-in.

**RESOLVED:** The Board AGREED to take training on cyber security and scams at its meeting in April or July 2020. The report was noted.

#### **48/19 Pension Committee Governance Update**

The report was introduced by the Head of Pensions and Treasury who noted that the scheme's policies were each reviewed on a three year cycle and this was the case for the Governance Policy and Compliance Statement and Communication Policy Statement presented. Feedback was invited from members of the Board. In response, it was noted that:

- On page 44, those to whom the fund was accountable should additionally include employers of the fund and fund's members;
- On page 45, it was suggested that reference to the London CIV should be included in the diagram of the structure; and
- On page 47, the Terms of Reference needed to be checked and possibly updated to reflect the requirements set out by the Regulator. Any resulting change would also need to be reflected in the Constitution.

The Board expressed its concern about the number of members accessing their annual pension statement which was provided online. The Head of Pensions and Treasury agreed to share with all members the process for logging on to view this information.

**RESOLVED:** The Board AGREED to request that figures for the number of members accessing online their annual pension statement be added to the administration report for review.

#### **49/19 The Local Government Pension Scheme Advisory Board Code of Transparency**

The Board noted the good progress being made by the Local Government Pension Scheme Advisory Board in introducing a Code of Transparency. Members noted that they would continue to track this progress.

**RESOLVED:** The Board AGREED to note the report.

#### **50/19 Local Pension Board Training Policy**

The following additions were noted to the training log:

- The attendance of the Scheme Advisory Board secretary at the Board's meeting in January 2020;
- The training to be provided on cyber security/scams at the Board's meeting in either April or July 2020; and

- The one-to-one briefing provided on the Local Government Pension Scheme by the Independent Chair for Councillor Fitzpatrick when the latter joined the Panel.

**51/19 Chair's update**

The Independent Chair informed the Board that he had been interviewed by the Pensions Regulator as part of the investigation into the Property Asset Transfer following receipt of a complaint. This had been led by the Regulator's investigating officer.

Additionally, that Richard Elliott was standing down from his role with the Brit School but it was hoped that his expertise could be retained on the Board. This was being considered in conjunction with the provisions in the Constitution and would be resolved following the meeting.

Lastly, that a request had been made to the Director of Finance, Insurance and Risk to establish a remuneration strategy for Board members. It was noted that the duties of Board members were becoming increasingly onerous. Whilst some had the costs of their time paid by their employer, this wasn't the case for all. Determining whether or not to offer remuneration was within the gift of the administering body.

**52/19 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 Independent Chair and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

**53/19 Minutes (Part B) of the Previous Meeting**

The minutes (Part B) of the meeting held on 11 July 2019 were agreed as a true and accurate record with the reference to 'evaluation' in the penultimate line to be amended to read 'valuation'.

The meeting ended at 4.00 pm

**Signed:**

**Date:**

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