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Pension Committee

Meeting held on Tuesday, 25 May 2021 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Clive Fraser (Vice-Chair);
Councillors Jamie Audsley, Simon Brew, Robert Canning, Pat Clouder and
Yvette Hopley

Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

Apologies: Councillor Jan Buttinger

PART A

13/21 Disclosure of Interests

In respect of the “Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund” item, the Chair declared that all Members had an interest and the delay of the transfer to the Pension Fund had been brought to the attention of The Pensions Regulator.

14/21 Urgent Business (if any)

The Chair expressed empathy with officers in relation to the recent reductions in staff that had placed some difficulty in minutes being produced for meetings. However, he emphasised the importance of the need for minutes to be produced as a record of the meetings and the decisions made. He commented that some previous minutes had been very detailed, and in order to facilitate officers in producing minutes in a timely manner, emphasis should be placed on ensuring the decisions and any actions requested were recorded. In respect of this meeting, he requested that a more detailed minute of the “Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund” item be recorded because of the importance of this matter. The Chair also asked whether it would be feasible for reserves from the Pension Fund be used to provide resources to help enable minutes to be produced.

Members also commented that there was a lack of detail in some reports and the Chair agreed to raise this matter with officers.

Democratic Services colleagues were invited to respond and advised the Committee that their team was currently still short staffed; however, more resources were expected to be forthcoming. Discussions on using reserves from the Pension Fund to facilitate this could take place if desired.

The Head of Treasury and Pensions stated that matters such as training records of Members were being collated and would be reported as part of the Annual Account report. He requested that Members provide him with any details of training that they had undertaken. He added that the Council, as the administration authority of the Pension Fund, had an obligation to ensure that administrative functions were sufficiently resourced.

15/21 Review of Breaches Log

The Head of Treasury and Pensions presented the report and advised that there were no new breaches to report and no matters that would require The Pensions Regulator to be notified.

RESOLVED - That the Committee agreed to note the report.

16/21 Budget Review

The Head of Treasury and Pensions presented the report which detailed the Pension Fund revenue budget for 2021/22 and the two subsequent years, together with the draft accounts for 2019/20 and the forecast accounts for 2020/21. He also drew Members' attention to the four tables contained within the report.

RESOLVED – That the Committee agreed to note the report.

17/21 Pension Fund Medium Term Business Plan 2021/24

The Head of Treasury and Pensions presented the report and advised that the McCloud case was one of most significant issues the Council faced. He also highlighted in the report work being undertaken to invest more in Environmental, Social and Governance (ESG) assets.

The Chair commented that the Committee had previously agreed to move all equity investments to the London Collective Investment Vehicle's (LCIV) sustainable equity fund and that resolution should be reviewed. He requested that this be looked at as a matter of urgency and be reported to the 14 September 2021 Committee meeting. He also requested that a meeting

between the LCIV and Members be arranged prior to the Committee meeting. He welcomed moves for more carbon neutral assets.

RESOLVED – That the Committee agreed to note the report.

18/21 Funding Strategy Statement (FSS) updates - Exit Credit and Employer Flexibilities Regulatory Amendments

The Head of Treasury and Pensions presented the report and advised that changes to the Funding Strategy Statement were proposed.

The Council's actuary added that new regulations had come into force in the last year in respect of exit credit. Contribution rates regarding triennial valuations were to be reviewed.

RESOLVED:

1. That the Committee agreed to note the draft changes to the Funding Strategy Statement.
2. That the Committee agreed to instruct officers to undertake an employer consultation on these changes.

19/21 Governance Consulting Contract

The Head of Treasury and Pensions presented the report that outlined the process by which the Governance Consultancy contract, awarded through the National Local Government Pension Scheme Framework, had been extended by one year

RESOLVED - That the Committee agreed to note the report.

20/21 Croydon Pensions Administration Team Key Performance Indicators (KPIs)

The Head of Human Resources and Finance Service Centre presented the report which set out the Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of March 2021. She added that heavy demands had been placed on the Pensions Administration Team because of the number of severance agreements needing to be arranged.

RESOLVED - That the Committee agreed to note the Key Performance Indicators and the performance against these indicators as set out in Appendix A of the report.

21/21 Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund

The Chair began by referring to the recommendations in the report and that the discussions regarding section 3 in the report be minuted.

Officers then presented the report and advised Members that the situation had created an unusual set of circumstances. Both Members and the external auditor had raised concerns at the delay in the transfer taking place. It had since been considered as to whether the transfer would be in the best interests of the Pension Fund. As a result, it was now being recommended to rescind the decisions made in 2018 and 2019 to transfer funds from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund.

Members commented whether valuation of the properties had been undertaken for the Pension Fund and emphasised the importance of this being undertaken. Members sought the reasons that had led to the delay in the transfer. The lack of property valuations would mean that the Pension Fund would be missing out on future increases in property prices. Confirmation was sought that no completions in respect of any properties had been made. Members commented that more information on the properties concerned would be useful. It was queried whether it would be more beneficial to invest in carbon neutral schemes as opposed to properties as such actions would provide a longer-term asset, notwithstanding the benefit to the Pension Fund of any uplift in value of the properties concerned. Members also asked whether the Council's actuary had expressed any comments about this property investment. Some Members felt that the recommendations in the report to rescind the decisions made in 2018 and 2019 be agreed without delay. It was also queried as to whether a risk assessment had been undertaken in respect of the decisions and recommendations made.

In response to comments and questions from Members, officers confirmed that no transfers of properties had been completed. A risk assessment had been undertaken on the matter and consideration was being given as to the balance of asset allocations for the Pension Fund. The Committee heard that investing more in carbon neutral assets rather than properties may be more beneficial for the Pension Fund and there would be further consideration of this.

The Head of Treasury and Pensions advised Members that an updated valuation of the properties was awaited and this would be comprehensive. There were several complex technical issues that had contributed to the delay in the transfers. The Head of Treasury and Pensions stated that circumstances had changed significantly since the original decisions had been made in 2018 and 2019. Consideration needed to be given as to whether the properties in question would provide best value for the Pension Fund in future years. It was also important that actions taken were in accordance with the actuarial valuation.

The Council's actuary was then invited to comment. The actuary representative recommended that any assets taken on should be evaluated regularly to ensure appropriate safeguarding being taken. The actuary had reservations about the property transfer. Whilst a desk top valuation of the properties had been undertaken earlier, it was important to ensure valuations were up to date.

The Chair acknowledged the difficulties in considering this matter. He felt that more information was needed before any decisions could be made. He requested that further details of the valuation of properties at the time of the proposed transfer be provided. More information was needed in respect of the financial flows and structure concerning the scheme in order to provide Members with a greater understanding of the situation. In addition, officers were asked to explore other ways of investing cash in properties and other investment alternatives in order to seek better options. Further details of the risks involved in the property transfer and clarification on the contract between the Pension Fund and the Council was also sought.

In response, the Head of Treasury and Pensions advised that the information requested would be available in time for the 14 September 2021 Pension Committee meeting at the earliest.

Prior to a motion to this effect being proposed, a Member requested that it be noted that the Minority Party was in favour of the recommendations in the report to rescind the decision to transfer the properties concerned.

The motion with regard to defer any decision pending further information was moved by the Vice-Chair, Councillor Clive Fraser and seconded by the Chair, Councillor Andrew Pelling.

RESOLVED: That decisions regarding the transfer of Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund be deferred, pending further information being provided in respect of:

1. Details of the valuation of properties at the time of the proposed transfer
2. The financial flows and structure concerning the scheme
3. Other ways of investing cash in properties and other investment alternatives in order to seek better options
4. The risks involved in the property transfer
5. Clarification on the contract between the Pension Fund and the Council.

22/21 Exclusion of the Press and Public

The following motion was moved by Councillor Andrew Pelling and seconded by Councillor Clive Fraser to exclude 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 and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

23/21 Progress Report for Quarter Ended 31 March 2021

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.

The meeting ended at 9.13 pm

Signed:

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Date:

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