

**Pension Board**  
**Minutes of the meeting held on Thursday 6 July 2017 in Room F10, the Town Hall, Katharine Street, Croydon CR0 1NX**

**DRAFT**

**Present:** Mr Michael Ellsmore (Chair);

Employer Representatives:  
Mr Richard Elliott

Employee Representatives:  
Mr David Whickman  
Ms Ava Watt  
Mrs Teresa Fritz

**Also present:** Freda Townsend (Governance and Compliance Manager); Fahar Rehman (Governance and Compliance Officer); Dave Simson (Pensions Admin Manager); Nigel Cook (Head of Pensions and Treasury).

**Apologies:** There were no apologies, however the Head of Pensions and Treasury announced that a new employer representative had been appointed for the Board and would join the next meeting.

**A1 Minutes**

The Head of Pensions and Treasury provided an update on MiFD II that had been discussed at the last Board meeting. The Financial Conduct Authority (FCA) had confirmed that a new test for categorising investors had been introduced which allowed for professional investor status to be provided for funds within the Local Government Pension Fund (LGPS). While this change in policy was welcomed, there would be a considerable amount of work to be undertaken with the fund managers to get through the new regulations.

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

**A2 Disclosure of Interest**

The Chair disclosed that he chaired the Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Panel – this was in relation to the training session provided for Board Members that had been led by CIPFA.

**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 was agreed as stated in the agenda.

**A5 Review of Conflicts of Interest Policy**

The Head of Pensions and Treasury introduced the item and confirmed that the policy was required for review and welcomed any comments from the Board.

The Chair raised a concern at the wording of the second to last paragraph on page nine: "There is a requirement for LPB members not to have a conflict of interest". Board Members agreed that the wording did not accurately reflect the requirements, and proposed that the wording be changed to: "There is a requirement for LPB members to manage and monitor conflicts of interest in an open and transparent way".

It was noted that the Pensions Regulator provided an online toolkit that included useful guidance and training on conflicts of interests.

The Board **RESOLVED** to approve the Conflicts of Interest Policy subject to the following amendment:

- The second to last paragraph on page 9 amended to read: "There is a requirement for LPB members to manage and monitor conflicts of interest in an open and transparent way".

**A6 Review of Reporting Breaches in the Law Policy**

The Head of Pensions and Treasury invited comments on the policy. Board Members expressed concern about how the Board reported breaches and the processes in available for doing so.

The Pensions Admin Manager responded that the definition of a serious breach was open to interpretation and that reporting was an individual member responsibility as well as a collective one for the Board. It was also noted that in many instances the Regulator would be more concerned with not reporting breaches than with the

breaches themselves. An example given was delay in publishing the annual benefits statement, which would technically be a breach but could be caused due to delays from the employer side. In such an instance it would be more likely that the Regulator would be more concerned by the issue not being reported, than the actual breach.

It was considered by Board Members that the policy needed to be explicit in stating that the Board could go directly to the Pensions Regulator to report a serious breach if this was deemed necessary. It was therefore proposed that wording to that effect should be included in the statement.

The Board **RESOLVED** to approve the policy subject to the following wording to be inserted therein:

- “The Board reserves the right both collectively and individually to report breaches to the Pensions Regulator in certain circumstances. “

The Board additionally requested that officers arrange for training on the reporting of breaches for a future Board meeting.

#### **A7 Pension Board Business Plan and Training Undertaken**

Officers stated that the business plan would be circulated to Board members as soon as possible.

#### **A8 Pension Board Administration KPIs**

The Pensions Admin Manager introduced the item and described the huge challenges in collating data from deferred members. It had been an historic issue with a backlog for many decades. The backlog was fundamentally an issue of resources and priority. On the latter, the Board were informed that as the majority of deferred members data was not time sensitive urgent, it was inevitably the task that was placed on hold when urgent issues arose for officers' attention. However, the introduction of the Pension Dashboard in 2019 created a deadline for when the data had to be completed. A plan was in place to meet this challenge and confidence was expressed that the processes in place were streamlined as much as was possible without affecting the accuracy of the data being collated.

Board Members enquired as to whether extra resources would aid the process in catching up with the backlog. The Pensions Admin Manager responded that there was a lack of experienced staff in the job market which made further recruitment a serious challenge. Additionally, the work required took time to be properly implemented

and new staff would not by itself speed up that process. Whilst the two year plan was behind schedule, there was optimism expressed that the target deadline could still be met.

The Head of Pensions and Treasury added that when the service was brought back in house in 2007, the back log was as much as 7,000 cases. The ten years since that time had seen a chipping away at the backlog, which included taking on two trainees from Hymans Robertson to support the team for approximately six weeks. It was noted that the issue of backlogged deferred cases was an issue across local authority funds and that the priority would also be that the records were accurate at the time of delivering benefits.

The Governance and Compliance Manager stated that since the service had returned in-house a huge amount of the backlog had been completed. The 2,300 cases that remained were mainly the most difficult cases, for example where the admitted body no longer existed.

The Board **NOTED** the contents of the report but expressed concern at the scale of the backlog and supported any provision of extra resources for the service.

#### **A9 Pension Board Annual report**

The Chair introduced the Annual Report and stated that the training log would be appended to the report. The Chair expressed the view that the Board had had a good year and had grown in confidence. In particular it was positive that the Pensions Regulator had come down to deliver training.

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

#### **A10 Agenda papers of the last Pension Committee**

The Chair expressed approval of the administration strategy that had been submitted to the last Committee meeting. The Pensions Admin Manager added that officers were considering what a reasonable time period was to process year end returns. To this end, Iconnect software was being rolled out to employers and officers were supporting employers in the transition.

In response to a question from the Board, officers present stated that the employers' forum was not well attended, but attempts had been made to accommodate employers such as arranging the meetings at different times of the day or doing regional forums. It was stated that

this was another example of a problem that occurred across local authority funds.

Board Members also discussed the recently published PwC report by the Scheme Advisory Board entitled “Options for Academies in the LGPS” and the apparent systematic problems with the relationship between the LGPS and academies. It was considered that academies were not properly resourced to deal with LGPS requirements and the merging of academies would present even more complications down the line.

At the request of the Chair, the Head of Pensions and Treasury provided the Board with an update on the asset allocation report that had gone to the Committee. It was stated the report detailed the progress made on meeting the allocation as it had been agreed by the Committee several years before. There had also been a recent visit by six new fund managers who had met with representatives of the Committee. In addition to this, two asset managers for infrastructure funds met with the Chair and Vice-Chair of the Committee, which had been identified for allocating further investments in order to meet the targets for that asset class as set in the strategy.

The Head of Pensions and Treasury also informed the Board that the documentation had been completed for the appointment of Hymans Robertson and Aon Hewitt through the framework, as identified in the report split into the three lots.

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

The Chair concluded the meeting by announcing that Freda Townsend would be retiring before the next Board meeting. Freda was thanked for all her work done establishing the Board and the outstanding service she had provided for the Board since that time.

The meeting finished at 3.52pm.