

Pension Board

Meeting held on Wednesday, 17 January 2024 at 2.00 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Michael Ellsmore (Chair);

Co-optees: Richard Elliott, Teresa Fritz and David Whickman (Employee Representative) (Online)

Councillor Margaret Bird

Also

Present: Ian Talbot, Mary Lambe (AON, Governance Consultant), Gillian Philip, Matthew Hallett

Apologies: Ava Payne (Lateness), Jane West

PART A

1/24 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday, 19 October 2023 were agreed as an accurate record.

2/24 Disclosure of Interests

The Chair asked whether members of the board should be minded towards the bespoke conflicts of interest policy which the Committee had previously agreed.

The Chair advised that the members of the board should put in a blanket conflict of interest for any discussion concerning pension board allowances.

3/24 Urgent Business (if any)

There were no items of urgent business.

4/24 Croydon Pensions Administration Team Key Performance Indicators for the period September 2023 to November 2023

Ava Payne entered at 2.07pm.

The Pensions Manager introduced the report and explained that the administration team had finished their last statutory requirement for the year

which was to issue pension savings statements for anyone who exceeded the annual allowance for 2022/23. The Pensions Manager stated that following changes in regulation they saw a large decrease in the number of cases which they had to investigate. The Pensions Manager confirmed that all savings statements had been issued before the 6 October deadline.

The Pensions Manager explained that the team leaders and the technical team had been focused on how to improve their key performance indicators (KPI's) as they were below expectations. The Pensions Manager informed the Board that they have realised that 50% of their workload is taken up by leavers however they had not allocated 50% of their resources to leavers and this was reflected in the KPI's.

The Pensions Manager stated that following a review of their workload they had identified areas which were causing the team issues such as cases where an employer had changed payrolls providers. The Pensions Manager explained that there was often a debate between the existing and new payroll provider over who would provide legal information, this put officers in a position where they would have to chase to receive the necessary information.

In response to a question from a member, officers informed the Board that:

- Officers had 120 employers in the scheme and the biggest employer was the Council and they had access to their payroll system. The school's payroll was an issue as they used an external provider. Some of these external providers took time to provide officers with the necessary information.
- In the admin strategy officers had the provision to fine employers. They were meeting to discuss resourcing for the governance team. They had found that a lot of employers who signed a contract with payroll providers included the provision that they would handle pensions but they would seek to educate employers.
- Officers could improve communication with employers and they had assessed the structure of their team. They felt as though they had enough members of the team to provide this service.
- Officers had to go through the councils HR procedures as they were employees of the Council.
- All LGPS funds had experienced resourcing issues, there were issues with the structures of existing teams and there had been a growth in the workload for officers and there was a need for an increase in resources.
- The fund paid costs for the resourcing of admin staff; however, their contracts were with the Council. If members wanted to increase their salary budget, then they would have to go through the Councils HR processes.
- The move to separate the funds accounts and the Councils accounts was unlikely to affect the current method of increasing resources as they were not separate legal entities.

- The problem in the past was that issues had all been anecdotal and so officers did not have enough data to assess the issues properly. Officers believed that processing leavers for the Council was more straightforward in comparison with processing with leavers for external employers.
- There were duplicate items in the table within the report as one of the items was in relation to the legal deadline, and the other item was in relation to the Croydon deadline which officers had set themselves to provide a better service.

RESOLVED:

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

5/24 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the report and explained that there had been some changes to the register. The first change related to the risk to employers ceasing their trading, the second change was an update to the admission policy for academies and other employers as they now allowed passthrough for admitted bodies which created more risk sharing with the Council which lowered the risk for the fund. The Acting Head of Pensions and Treasury stated that officers were still carrying out the covenant reviews of other employers in the fund and the review was set to be completed by the end of January. Another change was in relation to the funding assets and liabilities, officers had spoken with the actuary about the funding update service. The final two changes were the addition of cyber security and resources to the register.

In response to questions from members, officers informed the Board that:

- In terms of activity cyber hygiene was one aspect of the cyber policy, there was also data and asset mapping which was still being worked on. Officers needed to set up their own instant response plan for the Fund in conjunction with the Council's instant response plan. Third party reviews needed to be undertaken with those who had been identified on the data and asset map as being the most significant risk. The regulator issued new cyber guidelines in December 2023, and these were a must for fund managers, some of the work had been delayed as officers wanted to ensure that the strategy was in line with the regulator's new guidelines.

The Chair stated that there was a lack of understanding that the passthrough strategy was increasing the risk on the employers and lowering the risk to fund.

RESOLVED:

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

6/24 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the report and explained that the 2019/20 accounts were expected to be signed off in February 2024. The Acting Head of Pensions and Treasury stated that the 2022/23 accounts had been added to the breaches log as they had now become a breach and officers were still in discussion with the Council's HR department regarding the employer discretions policy. The Acting Head of Pensions and Treasury explained that the late repayment of refunds had also been added but it was unavoidable at present until there had been amendments to legislation that removed the requirement for five-year payments.

In response to questions from members, officers informed the Board that:

- Officers would liaise further with the Council's HR department again regarding the employers' discretions policy before asking the Board for assistance.
- The employer had to have a discretions policy under the LGPS legislation, and it was the employers responsibility to have it.

RESOLVED:

- To consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

7/24 Progress on implementing findings of Governance Review

The Acting Head of Pensions and Treasury introduced the report and explained that the governance review had been undertaken by AON over several years and in June 2022 officers decided to put all the outstanding actions to create a governance review strategy. The Acting Head of Pensions and Treasury stated that officers had completed most of the outstanding actions. The Acting Head of Pensions and Treasury explained that the constitution changes regarding board member expenses went to Council in December 2023 and was agreed so board member allowances can now be paid to members who were not remunerated by their employer. The Acting Head of Pensions and Treasury informed the Board that the Chairs allowance was £5,000, other members would receive £1000 and these allowances would be escalated based on the CPI in September.

The Acting Head of Pensions and Treasury stated that officers would look at the TPR code and benchmark themselves against it to see where they stood.

In response to a question from members, officers informed the Board that:

- The constitution had now been changed but officers now needed to go out and recruit for an employer representative on the Pension Board.
- The team had enough members and a sufficient budget. In terms of other resourcing needs officers would need to include in their business plan.

RESOLVED:

- To note the progress achieved in addressing the list of recommendations as presented to the Committee on 11 October 2022.
- To note the progress achieved in addressing the SAB Good Governance Review Phase 3 Report.

8/24 Local Government Pension Scheme: Next Steps on Investments

The Acting Head of Pensions and Treasury introduced the report and explained that the Mansion house speech had triggered a consultation which closed in October 2023 and the government had issued a statement on the next steps following the consultation. The Acting Head of Pensions and Treasury did not believe that the responses had any effect on the government's intention to pool investments.

The Acting Head of Pensions and Treasury stated that the desire to accelerate pooling could create a governance issue, from his perspective the legislation that would be implemented could offer scope to opt out of certain aspects. The Acting Head of Pensions and Treasury explained that officers would try and get the Fund's listed assets included in the CIV but he did not believe that any funds would commit to pooling all of their assets by the 31 March 2025. The Acting Head of Pensions and Treasury informed the Board that there was already an allocation to private equity investments. The Acting Head of Pensions and Treasury stated that he would be looking toward investment advisors to see how much of their investments could be defined as a levelling up asset.

The Acting Head of Pensions and Treasury stated that when the government wrote their response to the consultation, they seemed to imply that investments did not matter as much as members benefits were governed by legislation. The Acting Head of Pensions and Treasury accepted that this was true however he explained that the legislation did not state who had to pay the benefits. This was an issue as if the investments failed then the contributions would need to rise in order to compensate for the loss.

In response to a question from members, officers informed the Board that:

- The fiduciary duty was similar to what was expected from a trustee, other investments could be considered but they could not detriment returns.

- For passive investment index tracking funds, investment managers generally charged one basis point.
- The government should allow passive funds to sit outside of the pool as it would be cheaper for them to be managed elsewhere.

RESOLVED:

- To note the contents of this report.

9/24 The Audit Findings Report for the London Borough of Croydon Pension Fund for the year ended 31 March 2020

The Acting Head of Pensions and Treasury introduced the report and explained that the report was presented to the Audit and Governance committee at the end of November 2023 and the auditors stated that there were no issues with the pension fund.

In response to question from members, officers informed the Board that:

- The accounts and valuations were conducted during the covid-19 pandemic, so the values were a result of the conditions at the time.
- Liquid assets were difficult to value until the assets had been sold.

RESOLVED:

- To note the contents of the report.

10/24 Croydon Training Activity and Plan 2024/25

The Acting Head of Pensions and Treasury introduced the report and explained that officers had been working with AON to create a training plan for 2024/25 and they wanted the Board to comment on the plan before it was presented at the next meeting of the Pension Committee.

Mary Lambe stated that AON had been asked to consider the report which had been presented to the Board from Hymans regarding the national knowledge framework, hot topics which were emerging over the next year and to consider how training was conducted.

Mary Lambe explained that they had spoken to the scheme advisory board (SAB) about pooling, there was a desire to elevate committee requirements around training and the SAB were working with DLUC to determine how to reflect this in statutory governance guidance as well as in the SAB guidance.

Mary Lambe informed the Board that on the assessment of the national knowledge report from Hymans, AON had coded areas where the scores were below 50% and had ensured that these areas had been incorporated in the 2024/25 training plan. Mary Lambe explained that AON would be willing to

conduct training analysis to identify any gaps in the knowledge of the Committee and Board members.

Mary Lambe stated that the list of hot topics included equality, diversity and inclusion; conflict of interest policy; TCFD and carbon foot printing; cost management process; pension dashboard; general code; business planning and scams and frauds.

Mary Lambe explained that the delivery of training section of the report summarised the feedback from their online training sessions. Mary Lambe believed that it may be helpful to get any individuals trained in person to go over some modules they need to cover this would help improve the LOLA figures; April 2024 had been identified as a suitable month as the system update would be completed by then.

Mary Lambe informed the Board that officers would work with Democratic Services to ensure that new Members would receive induction training on mandatory areas in a timely manner.

In response to questions from members, officers informed the Board that:

- The training plan would need to be refined and include investment sessions, then they would need to map out other elements which would require training.

The union representative on the Board was usually given time off outside of their day job to accommodate their role on the Pension Board. Officers stated that they would quantify how many hours it would take for members to complete the necessary training before discussing with the employer how it could fit around union duties of the officer.

RESOLVED:

- To review the Aon paper titled 'Croydon Training Activity and Plan' and provide comment on the recommended actions as summarised on page 8 of the paper and specifically on the draft Training Plan for 2024/25 included as Appendix B to the paper.

11/24 Review of Board Training

The Acting Head of Pensions and Treasury introduced the report and explained that members needed to inform officers about any training conferences they may have attended so that officers could add it to their records.

In response to questions from members, officers informed the Board that:

- AON would have a webinar on the 29 January about the new pension regulator code.

- Members would be required to complete training modules annually; the modules would focus on new topics to avoid training becoming repetitive for existing members.

RESOLVED:

- To note the contents of the Pension Board Training Log.

12/24 Local Government Pension Scheme Advisory Board / The Pensions Regulator Update

The Acting Head of Pensions and Treasury introduced the report and explained that since the last valuation, many LGPS funds were in a greater surplus due to the movement in gilt yields. The Acting Head of Pensions and Treasury informed the Board that this could put pressure on the Council as the main employer of the fund to review their contribution rates mid cycle. The fund under pressure to do a contribution rate review mid cycle. The Acting Head of Pensions and Treasury stated that the SABs view was that officers should be looking at maintaining stable contribution rates and if they were asked to review contribution rates then they should do so cautiously. The Acting Head of Pensions and Treasury explained that following the last valuation, there was the scope to reduce the contribution rates but they decided not to.

In response to questions from members, officers informed the Board that:

- The next valuation was in 2025.
- Long term yields were about 4.5% and the bank rate was at 5%-6%, when this was converted to an LGPS or any defined benefit scheme it would benefit the scheme as it would receive higher investment returns.
- Interest rate expectations were thought to have peaked however a recent announcement had declared that inflation was higher than expected.
- The Fund did not appear on the open democracy list, this may be because the Fund had their investments in a pooled vehicle.

RESOLVED:

- To note the contents of the report.

The meeting ended at 3.30 pm

Signed:

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Date:

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