

Pension Board

Meeting held on Thursday, 17 October 2024 at 2.00 pm in Room 1.13, Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

Present: Michael Ellsmore (Chair);
Co-optees: Richard Elliott, Teresa Fritz, Ava Payne (Online) and David Whickman
Councillor Margaret Bird

Also

Present: Ian Talbott (Pension Fund Investment Manager), Gillian Philip (Pensions Manager), Matthew Hallett (Head of Pensions and Treasury)

Apologies: Councillor Margaret Bird, Jane West (Corporate Director of Resources & S151 Officer)

PART A

127/24 Minutes of the Previous Meeting

RESOLVED that the minutes of the meeting held on Thursday 25 July 2024 were agreed as an accurate record subject to the following amendments being made:

- At minute 122, the minutes stated that employers were at risk of solvency rather than insolvency.
- Teresa Fritz was marked as being present online rather than in person.

Officers explained that Pension Board Members were still currently permitted access to Part B reports, pending an official decision from the Monitoring Officer.

128/24 Disclosure of Interests

There were none.

129/24 Urgent Business (if any)

There were no items of urgent business.

130/24 Review of LGPS Fund Valuations as at 31 March 2022 by Government Actuary's Department

The Head of Pensions and Treasury introduced the report and explained that the Government Actuary Department report was essentially an MOT check on the valuations for the LGPS pension funds. The Head of Pensions and Treasury informed the Board that the Government Actuary Department reviewed the process of valuations to verify that they were compliant and had been carried out in a consistent manner.

The Head of Pensions and Treasury explained that the Government Actuary Department report stated that the LGPS was in a very good position, the funding levels from 2019 to 2022 had moved from 98% funded to 106% funded and as per the actuary's best estimate it was now 119% funded.

The Head of Pensions and Treasury stated that the Government Actuary report came out with three recommendations including the need for greater consistency, and more guidance from the Scheme Advisory Board in a few areas.

The Head of Pensions and Treasury informed the Board that between 2016 and 2022 the Council's funding level had moved up the rankings from 81st to 58th which demonstrated the progress of the Fund in comparison to other schemes.

The Head of Pensions and Treasury highlighted that there had been one flag raised on the long-term cost efficiency measures, this was because the contribution rate had been reduced mid valuation. The Head of Pensions and Treasury stated that Hymans had gone back to the Government Actuary Department and they were quite satisfied that the contribution level that had been set was appropriate.

Councillor Bird arrived at 2.15pm

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

- The SAB stated that Local Authorities should not use surpluses as an excuse to reduce contributions. Croydon reduced contributions between the 2019 and 2022 valuations. The Fund could have tolerated a reduction in contribution rate when the 2019 valuation had been conducted and we had been quite prudent when the contribution rate was set.
- The contribution rate could change in the next cycle as funding levels had improved since 2022.
- At the point of the 2022 valuation, interest rates were really quite low. Interest rates had increased, and we're not expected to come back down to those levels again, which had a knock-on effect reducing the value of liabilities.
- The Fund had been quite prudent in comparison with other funds as the discount rate was lower in comparison with other funds.
- 30-year Government gilt yields were paying 4.5% and the Fund's discount rate was lower than this.

RESOLVED:

- To consider and note the results provided by the Government Actuary's Department of their review under Section 13 of the Public Service Pensions Act 2013 of LGPS fund valuations as at 31 March 2022.

131/24 Croydon Pensions Administration Team Key Performance Indicators for the Period June 2024 to August 2024

The Pension Manager introduced the report and explained that the report covered June to August 2024. The Pension Manager informed the Board that a lot of focus was given to leaver calculations, however it was difficult to obtain information during the summer as schools were closed. Despite this the team continued to work on the leaver calculations to try and improve their KPI's, they had a targeted approach to focus on people who were transferring their membership from previous authorities to Croydon and over the summer they had managed to clear over 100 cases.

The Pension Manager stated that they had also focused on their end of year processes, and whilst there was one case which proved to be difficult the team managed to get all the required information and uploaded the statements before the deadline.

The Pension Manager explained that the team had worked with several employers and had been out to see schools, the team had managed to get almost all the staff at some of the larger schools registered on the self-service portal.

The Pension Manager informed the Board the user acceptance testing on the new member self-service portal called Engage was almost complete and they were hoping to go live with it on 21 October but the launch date had been pushed back due to some inaccuracies with the testing, officer hoped to go live by the end of October.

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

- They expected case levels to rise when dealing with end of year processes. As much as they were trying to get their employers to tell them about new starters throughout the year, they usually saw a spike in cases at the end of the year.
- Engage was an enhancement to member self service and when it was launched, the new members would have to re-register, but the process was straightforward, and they would be offered guidance.
- The leaver calculations were below target as there were many leavers, particularly around schools. It was difficult as officers did not have an auto aggregation tool, they made sure there was a member of the team checking leavers every day of the week.
- If an individual worked for another local authority, the transfer of their pension benefits from one LGPS to another is regarded as an

interfund. As of 2014, the transfer was made automatically unless the individual opted not to.

- There was an issue with one payroll provider, they were unable to provide officers with information from April to July 2023. This provider was no longer used by schools.

RESOLVED:

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

132/24 Compliance Check against TPR General Code

Officers introduced the report and explained that they had a report on the 11th of April 2024 and very soon after the new code became operational. Officers advised the Board that the new code covered all governing bodies of nearly all pension schemes, and it was necessary for officers to determine which elements of the code related to the LGPS.

Officers informed the Board that they had sought advice on how the fund could operate within the code, they had looked at offerings from AON (Governance Advisors) and Hymans (Actuaries) and whilst officers chose to go along with AON's process they had access to information provided by Hymans as well.

Officers had answered nearly 300 questions as part of the compliance check, however they were not in a position to provide the Board or indeed the Committee with all of the details. Officers informed the Board that some of the questions were mandatory, and others were best practice questions and officers had attempted to answer all the questions.

Officers were required to answer questions in accordance with five major categories, governing body; funding and investment; administration; communications and disclosure; reporting to TPR. Each category was then split into various sub categories, and there were a number of questions for each sub category.

Officers informed the Board that the only areas in which the fund came under the red warning classification were information handling and IT.

Officers would continue to work on the compliance check list and within the next few months officers would be ready to report to both the Board and the Committee and have some good news to report to the Pensions Regulator; there would also be training sessions provided for Members.

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

- Even in categories where the fund scored 100%, there was still improvement to be made.

- The compliance check did not highlight anything that officers were not already aware of.
- The compliance check was a self-assessment of where the fund believed it stood.
- Once officers had drafted the plan of where they wanted the fund to get to, they would then go into further detail with Members of the Board and the Committee.
- Officers will be ready to present the plan to Members within the next six months.

RESOLVED:

- To note the contents of the report and agree that Officers should produce a detailed plan to address areas of non-compliance, to be shared with the Board.

133/24 Review of Breaches of the Law

The Head of Pensions and Treasury introduced the report and explained that the annual benefits statement had to be mentioned as a breach, the accounts also were reported as a breach. Following the election the incoming government had progressed with the proposed legislation for backstop arrangements made by the outgoing government and the legislation came into effect on the 30 September. The backstop stated deadlines as to when prior years accounts must be audited in order to catch -up with the backlog of Local Authority audits.

The Head of Pensions and Treasury informed the Board that audited accounts up to 2022/23 needed to be published by the 13 December 2024, the 2023/24 audited accounts needed to be published by the 28 February 2025.

The Head of Pensions and Treasury explained that the fund was working towards producing their annual report for the 2021/22 and 2022/23 accounts by the end of October and then the 2023/24 accounts by the 30 November.

The Head of Pensions and Treasury stated that the auditors would do a light touch on the 2022/23 accounts, they would mainly assess the balance sheet before conducting a full audit on the 2023/24 accounts. The Head of Pensions and Treasury informed the Board that the auditors would not be able to provide an unqualified opinion as it took a few cycles before they would be able to issue one.

The Head of Pensions and Treasury explained that the information on the balance sheet mainly single asset valuations and having unaudited accounts offered a minimal risk to the fund.

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

- The auditors intended to conduct a full audit of the 2023/24 pension fund accounts but may not be able to conduct a full audit on the Councils accounts.
- The auditors had contacted officers for the final version of the 2019/20 accounts, however they had not changed since they had been published.

RESOLVED:

- To review and note the contents of the extract from the Pension Fund Breaches of the Law Log.

134/24 Review of Risk Register

The Head of Pensions and Treasury introduced the report and explained that two new risks had been added to the register the first was the pensions review introduced by the new government and the other was the annual report of the accounts. The Head of Pensions and Treasury informed the Board their legal advisors had stated that the outcome of the pensions review could create significant issues.

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

- Members of the Board and Co-Optees of the Committee would not be provided with Council email addresses, officers would password protect agenda documents circulated to Members of the Board and Committee who did not have a Council email address.
- The delay in filling vacancies within the pensions department was initially down to the Head of Pensions and Treasury performing his role on an interim basis, now that he had been appointed to the position on a permanent basis it was down to him to progress with recruitment.

RESOLVED:

- To review and note the contents of the Pension Fund Risk Register.

135/24 London Borough of Croydon Pension Fund Data Improvement Policy

The Pension Manager introduced the report and explained that the policy was drafted following the recommendations from AON's original governance review, the policy outlined the data improvement process that was being used.

The Pension Manager stated that they had put together a document detailing what the team and the fund did regarding data quality improvement and the actions that they would like to take in future.

The Pension Manager informed the Board that the teams focus was on schools and other big payroll providers and once iConnect was in place it would be easier to obtain information from these providers.

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

- They would look to hold virtual meetings rather than in person meetings to enable more people to attend regularly. This duty has traditionally sat with the governance officers role within the team, which was currently vacant.

RESOLVED:

- To comment upon the content of the draft Data Improvement Policy.

136/24 Pensions Investment Review: Call for Evidence

The Interim Governance and Compliance Manager introduced the report and explained that the Scheme Advisory Board (SAB) had announced that they had submitted their response to the Call for Evidence, and in their press release they highlighted some points which most in the LGPS would agree with. The Interim Governance and Compliance Manager informed the Board that the SAB had complained that their response had been limited to 500 words per question, the Chair of the SAB Councillor Phillips had face to face meetings with some of the government Ministers and he had been reassured that there will be extensive engagement with the board and other stakeholders beyond the call for evidence.

Officers explained that there was a very short period of consultation, and it was clear that asset pooling policy and investing in the UK were amongst the governments primary concerns.

Officers informed the Board that whilst officers could have simply referred Members to the official document, they believed that it was worth copying the format of the consultation as it was indicative of how the government were thinking.

Officers explained that the questions from the government divided into different sections and there were only six or seven questions which were relevant to the LGPS and appropriate to answer.

Officers that many of the local authorities in London were happy to go along with the response of the Society of London Treasurers and the London CIV.

Officers explained that they had calculated that 31% of the fund was already invested in the UK.

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

- The majority of London based LGPS schemes had at least 30% of their funds invested in the UK.
- The Canadian government were not happy with Canadian schemes investing in foreign investments.
- The fund invested in onshore and offshore wind because there was a subsidy regime. There was a guarantee that if you invested in an onshore wind farm approximately half of the income would be regulated and offshore wind farm investments would see 2/3 of the income regulated.

RESOLVED:

- To note the contents of this report including the response.

137/24 Review of Representation Policy

The Head of Pensions and Treasury introduced the report and explained that this policy was formed following the SAB's good governance review which still had not been endorsed by government and each time that the SAB responded to the call for evidence, they highlighted the good governance review.

The Head of Pensions and Treasury informed the Board that officers had changed the constitution, added a staff voting member to the constitution and there was an employer voting representative space that needed to be filled. The representation policy had been taken to Committee and had been updated following constitution changes.

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

- There was an employer representative vacancy on the Board and the Committee so officers would look to appoint to both vacancies at the same time.

RESOLVED:

- To note the revised Representation Policy.

138/24 Local Government Pension Scheme Advisory Board and The Pensions Regulator Update

Officers introduced the report and explained that the recent statements by the SAB had concerned the call for evidence.

Officers informed the Board that they had included a link in the report to recommend the action that the scheme could take when faced with issues regarding its fiduciary duty and dealing with lobbying.

RESOLVED:

- To note the contents of this report.

139/24 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.

140/24 Responsible Investment Total Evaluation (Confidential)

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 3.37 pm

Signed:

Date:

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