

Pensions Board

Minutes

Wednesday 5 June 2019

This meeting was not quorate. The following notes are brief discussions held by the Committee.

PRESENT

Committee members: Councillors Rory Vaughan and Bora

Officers: David Coates (HR and Payroll Consultant), Dale Cox (Assistant Director - HR), Phil Triggs (Director of Treasury and Pensions), Timothy Mpofu (Pension Fund Manager), Mathew Dawson (Strategic Finance Manager)

1. APPOINTMENT OF CHAIR

This was deferred to the next meeting.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were noted.

3. APOLOGIES FOR ABSENCE

Apologies were received from Eric Kersey, Orin Miller and Neil Newton.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DRAFT MINUTES OF THE PENSIONS SUB-COMMITTEE

The minutes of the Pensions Sub-Committee were noted.

6. LGPS ADMINISTRATION PERFORMANCE UPDATE REPORT

David Coates, HR and Payroll Consultant provided an update and noted the following points:

Performance against the agreed KPIs

- Surrey County Council's (SCC's) performance against the agreed KPIs was shown in Appendix 1. Overall 13 of the 17 KPIs stood at 100%, which suggested a recent gradual improvement.

- Performance against the Transfers Out KPI was the lowest of all the KPIs and this had been brought to the attention of SCC for immediate improvement. SCC had reconfigured their team to ensure work could be carried out more effectively going forward.
 - SCC had managed and resolved 90% of the helpdesk queries first point of contact. This had demonstrated good performance and officers were not expecting this to significantly change.
- Data cleansing for triennial valuation 2019
- The data had been sent by SCC to the Pension Fund actuary, whose role was to perform a review of the whole Pension Fund membership data using a series of sophisticated industry recognised algorithms.
 - Following the data dump process to the actuary, key areas of inaccuracies had been identified. These areas were being reviewed by SCC and would be updated and resolved before 31 July 2019, the final data submission deadline.

Members noted that Appendix 1 was very well presented and were pleased to note that SCC were achieving their targets and improvements had been made.

Councillor Rory Vaughan asked for further clarification around the timelines for the triennial valuation. In response David Coates noted that once the data had been reviewed by SCC, the actuary would analyse the data and make assumptions around future employer contribution rates. The outcome of this process would be made available in October 2019.

In response to a question from the board, David Coates explained that the Council's target was to identify any gaps in the data and ensure all records were up to date. In April 2020 the Council was looking to implement a new system (i-Connect) which would simplify data submissions for pension funds and employers. Officers were confident that data quality would reach its highest standards in line with the Council's expectations.

7. PENSION FUND QUARTERLY UPDATE REPORT

Timothy Mpfu, Pension Fund Manager provided an update on the overall performance for the quarter ended 31 December 2018. An overview of the Pension Fund's performance was provided in Appendix 1.

Councillor Rory Vaughan asked if any important changes had been made to the risk register since the last Pensions Board meeting. Officers explained that the risk register was revamped to show a meaningful assessment of the Fund's risks and the actions taken to mitigate them. Furthermore, two additional risks had been added to the register in this quarterly report.

8. FIXED INCOME STRATEGY

Timothy Mpfu, Pension Fund Manager provided an update and noted that at the meeting held on 13 February 2019 the Pensions Sub-Committee agreed to defer its decision with regards to the future of its private credit allocation to later in the year.

In addition, the Bonds Plus Fund had underperformed over three years, achieving annualised negative absolute returns of -0.6% over the period, 3.1% below the target benchmark. This was mainly due to some macroeconomic calls that had not worked out well. At the February meeting, the Sub-Committee decided to withdraw its entire holdings from the Insight Bonds Plus Fund and pursue a buy and maintain strategy instead. This allocation was invested in May 2019 with the LCIV Global Bonds strategy which was managed by PIMCO.

Members asked for an update on the new governance arrangements for the LCIV. Phil Triggs explained since the appointment of the new Chief Executive and Chief Investment officer, the quality of reporting and service received from the LCIV had improved.

Members were pleased to hear that the position of the LCIV had improved and positive outcomes were being achieved within a year.

9. MEMBER KNOWLEDGE AND SKILLS TRAINING

Matt Dawson, Strategic Finance Manager provided an update and asked what training members required.

Members felt it would prove useful to engage in smaller training sessions, ensuring that their skills were refreshed on a regular basis. In addition members requested that training around the actuarial valuation process be provided.

Officers commented that this would be arranged, and new board members would also be offered pensions training to fulfil their roles going forward.

10. ASSET POOLING CONSULTATION

Phil Triggs, Director of Treasury and Pensions provided an update on the Council's response to the proposed new statutory guidance on LGPS asset pooling from the Ministry of Housing, Communities and Local Government (MHCLG). A consultation response was submitted to MHCLG following approval of the Pensions Sub-Committee. There had been a total of 100 responses across England and Wales.

Following the outcome of the consultation, the government had confirmed there would be a reissue of the consultation process to confirm its statutory nature. The Minister had now clarified that the January 2019 consultation had only 'informal' status and that there would be a further formal consultation which would be issued in due course. MHCLG's timescale indicated reissuing in the summer, however, in reality this could be delayed until at least October 2019.

Members asked if there had been any resistance on this statutory guidance from other local authorities. Phil Triggs said that the Northern Pool and some London boroughs had voiced their concerns and challenged the statutory nature of the proposals.

11. LGPS COST CAP, MCCLOUD CASE (SUPREME COURT) AND ACTUARIAL VALUATION CONSULTATION

Phil Triggs, Director of Treasury and Pensions introduced the report and provided an update on the LGPS cost cap in public service pensions and recent developments. Whilst the cost cap/floor mechanism would normally be underway at this time, the Government Actuaries Department (GAD) had suspended the process, pending the outcome of the McCloud Supreme Court case.

It was highly unlikely that there would be any resolution before the 2019 actuarial valuation was complete. However, there were several possible ways of treating the outcome of the McCloud appeal and the cost management process. The LGPS Scheme Advisory Board (SAB) is due to issue guidance to funds and actuaries on the preferred approach.

Members thanked officers for a comprehensive update.

12. EXIT CAP CONSULTATION

Phil Triggs, Director of Treasury and Pensions provided an overview and summary of the background of the proposed cap on exit payments in the public sector. On 10 April 2019, HM Treasury opened a consultation, and this would close on 3 July 2019.

The exit cap covered redundancy payments (including statutory redundancy payments), severance payments, pension strain costs, and all other payments made as a result of the termination of employments. The statutory redundancy element of an exit payment cannot be reduced. If the cap was exceeded, other elements that made up the exit payment must be reduced, to ensure that an exit payment not above £95,000 was achieved.

The general feeling amongst stakeholders was that the exit cap would apply beyond those considered by the Government to be 'high earners' and would now be likely to include middle and lower management salary grades with long service in the LGPS and whose employment was being terminated prior to their normal pension age.

The Council would respond formally to the consultation ahead of the deadline. This would be in collaboration between feedback from this meeting, fund officers and the Chair of the Pensions Sub-Committee.

Dale Cox, Assistant Director - HR and OD said that a paper had been drafted for Kim Smith, Chief Executive to review and establish which pay grades this would impact. Officers were due to attend a meeting in Southwark Council on 6 June 2019 on behalf of London Councils to discuss this matter. The Council had the opportunity to respond to the consultation as an individual Council or in collaboration with other London boroughs.

Councillor Rory Vaughan said that it would be useful to establish the general view across all other boroughs.

Members felt that if staff had agreed a set of employment terms at the commencement of their employment then it would seem unreasonable to amend them at a later stage.

Councillor Bora Kwon asked for further clarification around a possible implementation date. David Coates said that this could take place sooner than expected, however officers didn't have an indication of an implementation date at this point. In addition, Phil Triggs commented that the consultation responses would be analysed, and a draft statutory document would be put together, however this could take up to 3-4 months.

Members thanked officers for bringing this matter to their attention. Whilst they appreciated that feedback was required from the Board, it was advised that any response to the consultation needed to be agreed by Kim Smith and Councillor Stephen Cowan, Leader.

13. EXCLUSION OF THE PUBLIC AND PRESS

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

14. FIXED INCOME STRATEGY (EXEMPT ELEMENTS)

Exempt elements were noted.

Meeting started: 7:00pm
Meeting ended: 8:30pm

Chair

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