

# Local Pension Board

Minutes of the Local Pension Board held on Monday 10 October at 10:00am at the Ground Floor Meeting Room G02a – 160 Tooley Street, London SE1 2QH

Present: Mike Ellsmore (Independent Chair)

Sue Plain – Scheme Member Representative

Norman Coombe – Employer Representative

Jo Anson – Employer Representative

Substitutes: Neil Tasker – Substitute Employee representative

Mike Pinder – Substitute Employer representative

Apologies: Colleen Reid – Substitute Scheme Member Representative

Bill White - Scheme Member Representative

Matthew Hunt – Substitute Employer Representative

Officers: Fay Hammond – Departmental Finance Manager

Caroline Watson – Divisional Accountant

Yvonne Thompson-Hoyte – Board Secretary/Divisional Accountant

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## **Welcome and Apologies for Absence**

1. The chair welcomed everyone to the meeting. Apologies were received for Matthew Hunt and Colleen Reid.

## **Notice of intention to conduct business in a closed meeting**

2. To note the item specified below will be conducted in a closed meeting:
  - Agenda Item 9 - Review of PAP meeting papers
  - Agenda item 10 - Governance review of Pension Fund

**Resolved:** There were no representations relating to this item.

## **Disclosure of Interests & Dispensations**

3. There were no disclosures of interests or dispensations.

## **Minutes of Last Meeting**

4. The following amendments to the minutes were proposed and accepted:
  - 5.4.4 – replace indicted with indicated
  - 6.1.8 – replace sectorial with sectoral
  - 8.1 – replace eminent with imminent
  - 10.8 – insert “not” before appropriate
5. It was noted that the training request raised at 9.2 would be followed up as part of agenda item 8 on training.

**Resolved:** the minutes of the meeting held on Wednesday 20 July 2016 agreed as correct subject to the amendments in 4.1.

## **Matters Arising**

6. **Indemnity Insurance Cover:** FH explained that the aim was to send out a letter to LPB members setting out that the council would fully indemnify LPB members before the end of the month.
7. **Potential Conflict of Interest re Pension Fund Property Investment in the Borough** – LPB members considered the legal response to the potential conflict of interest regarding directly owned pension investment properties in the borough Southwark. The report considered this was a low risk area. It was noted that Norman Coombe is an LPB employer representative and also provides constitutional advice to Planning Committee and that Cllr Eliza Mann is a voting member of the Pensions Advisory Panel (PAP) and is also a reserve Member of the Planning Sub Committee B. Therefore, these individuals would need to be supplied with a list of pension investment properties so they are able to declare a potential conflict of interest where this arises.
8. NC explained that pension investment owned properties present a similar risk as other council owned properties (e.g. Tooley Street office) when planning decisions are considered. SP indicated that although she acknowledged this point she still felt it would be preferable to avoid buying property within the borough. CW explained

that our mandate with TH Real Estate was aimed to maximise returns and that any restrictions could be deemed to restrict returns and our benchmark target. NC proposed that the LPB continue to monitor this potential conflict of interest.

**Resolved:** It was agreed that a list of all directly owned properties and those in borough made available to LPB so that potential conflicts of interest could be monitored.

9. **CIV Consultation Response** – the response was available via a link in the report.
10. **Employee Representation on the Joint Sectoral Committee** – SP proposed that LPB continue to monitor the progress of the London CIV in engaging scheme members in their decision making and governance arrangements. ME commented that the national scheme advisory board has scheme member representatives and that this would be an appropriate forum to raise this at a national level for all pools. SP agreed but also felt that there was value in continuing pressure at a local level.

### **General Updates – London CIV pooling update**

11. FH confirmed that BlackRock (passive funds) had offered lower fees without the need for pooling to take place. After conducting due diligence, it was concluded that there would be no transition fees and the monitoring and relationship remained the same. This was a saving of around £200k per annum. In addition, Newton was planning to take the same approach. SP commented that she felt that the CIPFA guidance on fees was influencing this approach of the investment managers.

### **Work Programme – Audit Report**

12. In response to the action point raised about checking payments to overseas pension payments - it was explained that there are only around 70 of these payments (out of 7,000+ pensionable members). For pensioners resident in the UK - there is a process already in place to check the individual has not died.
13. In relation to the action point to data cleansing for admitted and scheduled bodies – FH explained that improvements have been made through the Aon Hewitt data cleansing project. Further, work is already in hand to continue to improve data quality on an ongoing basis through the administration strategy.

**Resolution:** LPB to receive a report on the outcome of the data quality work and the number of non LBS employers in the fund.

### **Training work plan**

14. LPB members suggested the following areas for training:
  - a. Transparency in fee structures including the Dutch model - it was suggested Liam Robson could be invited to discuss this as he is the CIPFA/LGA expert in this new area
  - b. Latest regulations and benefits (employees perspective)
  - c. Latest investment regulations and investment strategy statement requirements
  - d. Pension fund risksLPB members were asked return a self assessment of their training requirements by the end of this month.
15. Other areas that were agreed to be part of the work plan were - discretionary policy

and data quality.

**Resolution:** Training plan to be reviewed to take into account the discussions above

### **Investment Strategy Statement (ISS)**

16. Work on the ISS has started - as evidenced in the PAP papers agenda item 4, "Investment Strategy Review". The process would be for PAP to agree the ISS and for LPB to review in their scrutiny role. The draft actuary report expected to PAP in December. The ISS review runs side by side with the actuary review.

### **Review of PAP Meeting Papers**

17. The LPB Chair acknowledged that the point regarding the explanation on Dynamic Diversified Growth Fund had now made to Mercers and that no further action was required.
18. LPB asked about the levels of cash set out in the Mercers Investment Performance report. CW explained that rent and cash was kept in a bank account in the name of LBS and that cash levels need to be reviewed as part of ISS. Cash flow had become more critical more recently due to the council's enhanced voluntary severance scheme. Clarity was sought by SP on the figures tabled on page 21, 25 and 57 of the Mercers investment report.
19. LPB reviewed the PAP minutes and noted the following items:
- Item 5 – LPB members invitation to investment managers meeting
  - Item 11 – LPB members' views were sought on the contents of the staff pension road shows which would be run in the new year. NC suggested an explanation of the annual benefit statement would be a good item to include.
  - CW would share the LAPFF conference date with LPB members

### **Governance Review of the Pension Fund**

20. Aon Hewitt presented their findings from the review of governance arrangements they had conducted. Overall it was reported that governance is good in many areas such as investment monitoring and the relationship between the LPB and PAP. However improvements could be made in the following areas - a fund specific business plan; PAP to become more forward looking; implementing an administration strategy; formalising policies and a technical review against pension regulations (more technical). Governance was good in that the board "do the right thing and at the right time" however improvements could be made in making documentation more transparent.
21. The report was then reviewed in more detail by page/area. Specific questions from LPB members included:
- NC asked about "breaches of law" (page 15 of the report) – this was identified as a priority item to address.  
<http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx#s2428>
  - SP noted that CIPFA's accounting guidance had not been part of this review (Page 13).
22. LPB member noted that the Governance Review had identified a number of improvements which would need to be resourced.

23. The next step was for PAP to receive a presentation on the Governance Review and for PAP to provide an action plan in response to the recommendations. The LPB would then consider the action plan at the January LPB meeting and receive reports on an ongoing basis to monitor progress from PAP. FH confirmed that the action plan would prioritise areas of legal concern.
24. SP suggested that it could be helpful if a governance review was conducted again that an additional step should be for LPB to sign off the report (rather than be presented with a final document).
25. The board considered if it was appropriate for the Audit, Governance and Standards Committee to be made aware of this governance review. It was agreed that it was preferable for PAP to provide an action plan first. There is an item on the 16 November Audit, Governance and Standards Committee regarding pension governance arrangements officers will alert committee members to the fact that the LPB commissioned this report.

**Resolved:** The LPB noted areas of good governance and those requiring improvement. The LPB Chair will ask PAP to consider the report and look forward to receiving PAP's response at the next LPB meeting.

**Any Other Business**

26. The LPB members noted that the Terms of Reference will require a change in the employer and employee representatives for July 2017 and that some thought should be given to this at a future board meeting.

**Date of the next meeting**

27. The date of the next meeting is 24 January G02a.

- **Chair**.....
- **Date**.....