

# Local Pension Board

Minutes of the Local Pension Board held on Monday 26 January 2016 at 11:00am at the Ground Floor Meeting Room G02a – 160 Tooley Street, London SE1 2QH

Present: Mike Ellsmore (Independent Chair)  
Sue Plain – Scheme Member Representative  
Bill White - Scheme Member Representative  
Jo Anson – Employer Representative  
Norman Coombe – Employer Representative

Substitutes: Colleen Reid – Substitute Scheme Member Representative  
Neil Tasker - Substitute scheme member Representative  
Matthew Hunt – Substitute Employer Representative  
Mike Pinder – Substitute Employer Representative

Officers: Fay Hammond – Departmental Finance Manager  
Duncan Whitfield – Strategic Director of Finance and Governance  
Yvonne Thompson-Hoyte – Board Secretary

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## 1. Welcome and Apologies for Absence

- 1.1 The chair welcomed everyone to the meeting.
- 1.2 There were no apologies for absence.
- 1.3 The chair introduced Matthew Hunt – Head of Corporate Facilities Management, as the new substitute employer representative. Matthew has replaced Dominic Cain who now has responsibility for the pensions services section.

## 2. Notice of intention to conduct business in a closed meeting

- 2.1 To note the item specified below will be conducted in a closed meeting
  - Review of PAP meeting papers

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

## 3. Disclosure of Interests & Dispensations

- 3.1 The chair informed the Board that he had been asked to serve as chair of the CIPFA pensions panel with effect from 1 February 2016.

## 4. Minutes of Last Meeting

### 4.1 **Resolved:**

That the minutes of the meeting held on 05 October 2015 should be agreed as correct and signed by the chair, subject to the amendment below

Paragraph number	Amended paragraph should read
5.1.1	Sue Plain raised concern about the quality of and the time taken for decisions to be reached on ill health retirement from the beginning of the process where cases are assessed to the time when the case is decided and payments to be made. This she explained was due to the time taken by the assessing organisation to classify each case into a tier so that management can make a decision

## 5 Matters Arising

### 5.1 **Reason for KPI's on Transfers Out and Refunds falling below targets**

- 5.1.1 Malcolm explained that the performance targets were measured in three stages (calculation, checking and authorisation) and that the KPI measure assumes that all the information is available to complete the whole process. However in some instances not all the information is available, he gave an example of 'evidence that the member requesting the transfer has had appropriate financial advice. He

explained that in instances like the above this can add an additional week to the process which adds to the time taken to complete the process.

- 5.1.2 Malcolm indicated that an initial check that all the information was in place prior to starting the process would be implemented.

## **5.2 Benchmarking for KPIs and logging of complaints**

5.2.1 Malcolm explained that complaints relating to pensions were handled as part of the Council's internal dispute resolution process (IDRP) and that there was not a specific procedure for pensions administration, therefore they have not been captured as pension related complaints. He indicated that a procedure would be set up in line with the Council's general complaints procedure and included in future KPI reporting.

5.2.1 Jo Anson enquired whether there were any KPI for the number of complaints received via the IDRP as it would be useful to know the volumes for comparison with other pension funds rather than setting up another process.

5.2.2 Duncan agreed that there needed to be a system in place to monitor the level of complaint as the scheme was becoming more complex.

## **5.3 Membership Data backlog**

5.3.1 Malcolm explained that the majority of the back log of data for leavers relates to Southwark schools that use payroll providers to administer their payroll. He explained that different strategies for example a payroll framework that would require them to comply with data requirements in order to be on the framework or an administration strategy that would set out the service standards.

5.3.2 Sue Plain asked whether there was a case for escalation to the pensions regulator. Malcolm mentioned that it could be awkward as they are Southwark's schools. Duncan cautioned that it might be more prudent to manage the relationship as has happened in other cases.

### **Resolved:**

- 5.3 A Schedule of the number of complaints received should be tabled at the next meeting

## **6. Training and Development**

- 6.1 The Board members attended a one hour training session on Local Government Pension Scheme benefits.
- 6.2 The updated training register was noted by the meeting.
- 6.3 Members of the Board an interest in receiving training in pensions fund accounting including cost methodology, actuarial valuation and diversified growth funds.

**Resolved:**

- 6.4 training will be arranged on one of the above topics for the usual one hour slot preceding the next meeting.

**7. Review of Pension Fund Governance**

- 7.1 The Chair informed the board that quotations for provision of service had been received from two possible providers. Details of a third provider had been received late and there was also difficulty in obtaining contact details for the organisation.
- 7.2 Some members of the board had some reservations as a branch of both possible service providers that had provided quotes currently provide other services to the pension fund. They advised that in the event that they were appointed that assurance should be sought

**Resolved:**

- 7.2.1 The Board Secretary should make another attempt to contact the third provider and that contact information would be provided by Sue Plain.
- 7.2.2 In the event that any of the previous two were appointed that assurance should be sought that the provider has a robust information barrier (Chinese Walls) between the divisions to prevent informal flow of information.

**8 Consultation – LGPS Investment Reform**

- 8.1 Duncan Whitfield explained to the Board that the DCLG consultation required each Authority to explain how they planned to pool and that there was no option not to pool.
- 8.2 He further explained that local authorities in London, were currently examining the London Collective Investment Vehicle (CIV) that had been set up by 'London Councils to facilitate pooling of investments by London Boroughs. He cautioned that there was a need to consult with London Councils and the CIPFA Pensions Panel to provide guidance.

- 8.3 Sue Plain explained that UNISON had issued a regional pensions brief on both the CIV and the consultation and that the main concern expressed was about the different liability levels of each fund and how each fund would be protected in the pool. Another concern mentioned was the implication that funds might not be able to set ethical standards unless they were already included in the pool of investments.
- 8.4 The Chair asked what the position of Southwark Council was on the CIV.
- 8.5 Duncan explained that the CIV had launched with 2 active fund managers Baillie Gifford and Alliance Bernstein, but that Southwark's portfolio did not fit with any of the two. He also indicated that the CIV had set a date for passive funds to go live in quarter one of 2016 having missed a number of previous targets.
- 8.6 He also explained that due diligence was being done by Southwark to ensure that there was relative savings to be made in terms of costs and fees and also to get clarity on the ethical investment strategy of the CIV.
- 8.7 Neil Tasker asked whether there would need to be cost benefits for Southwark to join the CIV
- 8.8 Duncan explained that an indicative early positive net present value would be required failing which he would need to refer back to PAP.
- 8.9 There was a discussion on different cost structures that were being used by pension funds making it difficult to compare. Duncan cautioned that the level of costs and fees should be considered alongside the rate of returns and that increased costs with higher returns should not be viewed as negative.
- 8.10 Sue Plain suggested that the Board should submit a separate response to the consultation. Duncan indicated that he had some reservations about the Board submitting a response as it was outside of the remit of the Local Pension Board. Jo Anson also agreed that it would not be appropriate. Bill White said he was
- 8.11 Sue Plain indicated that UNISON had done a response and requested that it be considered when preparing Southwark Council's response.
- 8.12 The Chair pointed out that the role of the board was to review the decisions of the Council, therefore it would be more appropriate for one response to be submitted by the Council and that the Board would reserve the right to review the response.

**Resolved:**

- 8.5 After a discussion the majority of the board agreed that one response should be submitted from the Council and the response submitted to the Board at the next meeting. Sue Plain indicated that she did not agree.
- 8.6 Sue Plain would also forward UNISON response to the Board Secretary.

**9 Review of Pensions Advisory Panel Decisions**

- 9.1 Duncan explained that the property portfolio was starting to deliver after a few years of being a bit slow. He further explained that the active fund manager Newton was also in a recovery state, but that it was still necessary to keep an eye on their performance.
- 9.2 Duncan also informed the Board that specialist fund managers had recently been appointed in the private residential sector and also that a small portion of the passive investments had been switched to diversified growth funds to gain the benefits of a more active fund and to implement the agreed investment strategy.
- 9.3 Members of the Board queried whether the pension fund investment portfolio was now in accordance with the published strategy. Some members also wanted to know how interests were being managed, given that the main property fund manager, TH Real Estate had purchased property in Southwark. They also indicated that training would be needed to improve their understanding of diversified growth funds.
- 9.4 Duncan explained that the strategy had been implemented but that the specialist fund managers were requesting draw downs in instalments until they reach the agreed allocation. He also explained that TH Real Estate directly manages the investments and makes decisions on property purchases within their investment management agreement.

**Resolved:**

- 9.5 Information will be passed to the Board.

**10 Any Other Business**

- 10.1 Jo Anson tendered her apologies in advance as she would not be able to attend the next meeting on 19 April 2016
- 10.2 The board requested that the Council's response to the LGPS investment reform be put on the agenda for the next meeting.
- 10.3 There was no further business.

**11 Date of the next meeting**

- 11.1 The date of the next meeting is Tuesday 19 April 2016 at 11.00am. There will be one hour training on LGPS benefits at 10:00am ahead of the meeting.

The meeting ended at 12:20pm

**Chair.....**

**Date**.....