

Local Pension Board

Minutes of the Local Pension Board held on 24 January 2017 at 11:00am at the Ground Floor Meeting Room – 160 Tooley Street, London SE1 2QH

Present: Mike Ellsmore (Independent Chair)
 Sue Plain – Scheme Member Representative
 Norman Coombe – Employer Representative
 Dominic Cain – Employer Representative

Substitutes: Neil Tasker – Substitute Employee representative
 Mike Pinder – Substitute Employer representative

Apologies: Bill White - Scheme Member Representative
 Matthew Hunt – Substitute Employer Representative

Officers: Fay Hammond – Departmental Finance Manager
 Caroline Watson – 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.
2. It was noted that Jo Anson was no longer able to be a LPB member due to a change of responsibilities to incorporate managing the pension administration function. The new employer representative was Dominic Cain.
3. It was also noted that Colleen Reid had left the council and a substitute employee representative from Unison was being identified.
4. Consideration of the LPB membership, such as for example, a Schools Forum employer representative to attend LPB was discussed. The LPB guidance requires an equal number of employee and employer members and therefore, an additional employee representative would also mean a further employer representative would be needed.
5. There is a project underway by PWC in relation to reviewing academy pension issues incorporating actuarial and administration areas. FH reported that Aon Hewitt and LBS had provided feedback for this.
6. FH recalled that the PAP governance review suggested a review of membership to include consideration of an employee representative and that a review of LPB membership alongside this it would seem appropriate.
7. NC pointed out that it was important for new members to receive induction training.
8. **Resolved: FH to explore options of a Schools Forum representative for LPB**

Notice of intention to conduct business in a closed meeting

9. To note the item specified below will be conducted in a closed meeting:
 - Agenda Item 8 Governance review of Pension Fund
 - Agenda Item 9 - Consideration of the proposed Investment Strategy Statement
 - Agenda item 10 - Review of PAP meeting papers of 6th December

Resolved: There were no representations relating to this item.

Disclosure of Interests & Dispensations

10. There were no disclosures of interests or dispensations.

Minutes of Last Meeting

11. The following amendments to the minutes were proposed and accepted:
 - Paragraph 11 – replace Black Rock with LGIM
 - Paragraph 14 – ME reported that Scheme Advisory Board declined to attend the LPB. However Peter Worth would be attending April LPB. SP felt that we were not well-equipped to ask questions regarding fees as we would like to be. State Street previously provided comparative data; Pensions & Investment Research Consultants Ltd (PIRC) was now working on providing this same data.
 - Paragraph 20 – ME reported that the PAP had accepted the review and felt it has added value, this would be covered in more detail in item 8.
 - Paragraph 24 – SP asked that this paragraph be extended to cover any piece of work.

12. **Resolved: the minutes of the meeting held on Wednesday 10 October 2016 agreed as correct subject to the amendments in 12.**

Matters Arising

13. **Indemnity insurance cover** – FH provided a draft letter to the Chair for review.
14. **Potential Conflict of Interest re Pension Fund Property Investment in the Borough** – on 28 November 2016 both PAP and LPB members were emailed a list of properties held in the borough of Southwark.

General Updates

15. **CIV**– the London CIV received a letter in December from Marcus Jones Minister for Local Government, DCLG. This letter congratulated the London CIV on savings made so far and further agreed the continuation of the CIV proposal submitted in July. However, the letter also stated that “current forecast transition of assets is unacceptably slow”. The CIV are progressing the procurement of an active portfolio. There is a stewardship and responsible ownership seminar early February held by the CIV. The CIV are also starting to look at fixed income options.
16. **Resolved: DCLG letter to be distributed to LPB members.**
17. **BlackRock** – the Strategic Director of Finance has negotiated with BlackRock to reduce our fees with significant savings; gaining the benefits of a pooled rate but without incurring any transition costs or changes in the current agreement. This is in addition to the similar outcome for Newton and LGIM.
18. **Currency Hedging** – as set out in the PAP minutes (item 7c) consideration is being given to hedging to lock in the gains made in the LGIM and BlackRock passive equity portfolios from overseas investments resulting from the fall in the value of the pound. Mercers will be looking at the sensitivity of the portfolio to currency and structure of the options. ME explained the LPB role in this would be to seek assurances around the governance of the decision when this is made.
19. SP stated that she has written to DW asking for information regarding the fund actuarial review outcomes. It was confirmed that:
- Funding levels have improved from 82% to 88%
 - The deficit recovery period has reduced from 21 years to 18 years.
 - The discount rate used for the 2016 valuation is 4.5% (5.4% 2013)
- The Government Actuary Department (GAD) will be calculating “comparative” data for all LGPS.

Work Programme and Training

20. In reviewing the future work programme, FH proposed that the LPB request the Pensions Regulator provide training at a future LPB meeting, reflecting the Terms of Reference of the LPB.
21. NC suggested an induction session would be needed in October for new LPB members and that succession planning was needed.

Governance Review of the Pension Fund – PAP action plan

22. LPB members welcomed the action plan from PAP. NT asked for confirmation of the review period of PAP actions – a year to two years was suggested. However, in the interim, it was agreed that there would be regular updates to LPB.
23. SP proposed that more specific actions and delivery information was needed for the administration related items within the action plan, namely, item numbers 4, 12, 9 of the plan. DC suggested a RAG rating approach to measuring progress against the improvement plan. ME suggested that putting administration reports earlier on the PAP agenda could be one option.
24. ME suggested that LPB invite Jo Anson to attend the next LPB to share their views around administration; and talk through plans. Discussions were also information that is held on measuring administration performance such as CIPFA benchmarking.
25. **Resolved: Jo Anson is to be invited to the next LPB meeting to update on the pension administration team moving forward.**
26. In terms of changes to policies within the Governance Review, it was confirmed that SDF&G was the decision taker, with recommendations from PAP.

Investment Strategy Statement (ISS)

27. NC asked if the new ISS was in response to the recent deputation on Fossil Fuels to the December Cabinet meeting. FH explained that the new ISS was required in relation to the new Pension Regulations and that the fossil fuel pressure group had been in contact for a long time before December.
28. LPB members view was that the first priority within the opening paragraph of the ISS should be to restate the fiduciary duty incumbent on pension fund administering bodies .. The statement reference to the “fairer future” promises was not felt to be appropriate for the pension fund which is effectively a separate entity to the council . In addition the following feedback was provided:
 - Paragraph 2: suggest twin objective to also keep employee contribution rate as stable as possible (currently the paragraph only references employers).
 - Bullet point 6 to be extended to cover LPB members role (currently refers to PAP only).
 - Second page of the ISS, fifth bullet point – suggest strengthen from “believe that engagement through “to require manager to be actively engaged in ESG”.
 - Second page, third bullet point from bottom – as well as best practice suggests the sentence should refer to regulations.

Review of PAP Meeting Papers

CLOSED BUSINESS

Any Other Business

29. SP extended an open invitation to LPB members to attend a lunchtime presentation

on Pension Issues by Glyn Jenkins, Unison Head of Pensions, Wed 15th February.

30. ME reminded LPB members of training opportunities that will be coming up over the summer including CIPFA and Barnett Waddingham seminars and annual event. Details to be distributed to LPB members.

31. **Resolved: CW to include LPB members in any training opportunity alerts received.**

Date of the next meeting

32. The date of the next meeting is 10 April 2017.

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