

London Borough of Islington

Pensions Board - 19 April 2023

Minutes of the meeting of the Pensions Board held in Committee Room 1, Islington Town Hall, Upper Street, N1 2UD on 19 April 2023 at 3.45 pm.

Present: Alan Begg, Mike Calvert, Maggie Elliott (Vice-Chair), Dave Poyser (Chair) and George Sharkey

Councillor Dave Poyser in the Chair

69 APOLOGIES FOR ABSENCE (Item A1)

Received from Valerie Easmon-George.

70 DECLARATION OF INTERESTS (Item A2)

None.

71 MINUTES OF THE PREVIOUS MEETING (Item A3)

RESOLVED:

That the minutes of the meeting held on 6 March 2023 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

72 GOVERNANCE TRAINING (Item B1)

The Board received a presentation from Marie Rosenthal, Interim Director of Law and Governance, and Matthew Hopson, Deputy Director of Finance, on governance training for the Local Pension Scheme. The training was being provided in the context of a review of the Council's Constitution, which the Interim Director of Law and Governance was conducting for consideration and approval at a Council meeting in July 2023.

The presentation included a background description of the LGPS Pension Board, which had been brought in to improve governance arrangements of all pension funds. The presentation also included an overview of responsibilities and the knowledge and skills set which every member of a Pensions Board must have, governance in practice, membership and proposed new Terms of Reference for the Board.

The Interim Director of Law and Governance highlighted a number of governance issues under the current arrangements, which needed to be addressed. The current practice whereby members of the Board and its Chair were appointed by the Audit Committee was considered unusual in that the Pensions Board should be responsible for electing its own Chair and that it was normal practice for the chairship to rotate annually from employer to member representatives.

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Under the LGPS Regulations 2013, members of the Board were required to have "capacity" to represent members and employers of the Scheme. Statutory guidance interpreted this as a requirement to ensure that the "knowledge and skills of the membership are appropriate" to effectively scrutinise the decisions of the Pensions Sub-Committee. This was a legal requirement. Members of a Pensions Board should also undertake a personal training needs analysis, together with a personalised training plan.

It was suggested that the current Terms of Reference for the Board were too brief and did not capture all of the elements sufficiently from the statutory guidance. Current arrangements saw the Board scheduled to meet at 6.00pm, directly before the Pensions Sub-Committee which started at 7.00pm. This was regarded as insufficient time to allow the Board to scrutinise all elements of Pension Fund administration and investment activity. The Board currently received only governance and administration reports at its meetings for review, but nothing on investments. Although not specified in its Terms of Reference, the Board also approved the Annual Report under current arrangements and it was suggested that this was usually reserved for the relevant Pension Fund Committee to consider and approve at similar administering authorities.

In addition, it was considered unusual for the Pension Fund Committee to have responsibility for investments and policies only and not administration and governance, which were reserved for the Pension Board in Islington. This meant that the Board was not scrutinising all of the work of the Sub-Committee, contrary to statutory guidance.

The Monitoring Officer had made a number of suggested recommendations viz

1. Pensions Board should elect its own Chair and this should rotate between members and employers, subject to capability
2. Pensions Board members should attend mandatory training sessions, which should be listed in the Terms of Reference
3. The Pensions Board Terms of Reference should be revised to reflect the full requirements of the statutory guidance and make it clear that the Board had a scrutiny function, supporting the Pensions Sub-Committee in its decision-making processes, but not making decisions in its own right.
4. Pensions Board should meet after the Pension Fund Committee to scrutinise decisions taken and should allow a minimum of two hours to properly scrutinise matters.
5. Pensions Board should formally receive reports on all aspects of the Pension Fund, including investments.

The following points were made during discussion:

- It would be useful to include a standing item on Board agendas on pensions' conferences, including attendance and forthcoming opportunities

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- It would also be useful to include an agenda item on the availability of training opportunities for members
- Three employer members + three member representatives + one independent member was considered an optimum size for the Board
- The recommendations for changes to the Board were endorsed, including that the Board should vote on the appointment of its Chair and whether the Chair was to rotate on an annual basis
- For the avoidance of ambiguity, if the administration of the scheme was to now be considered by the Pensions Sub-Committee, the element of risk needed also be considered on the agenda
- It was agreed that the Board needed to match its number of meetings with the Sub-Committee ie four times per year and, subject to consultation with members who were not present, the time of meetings should be from 4.00pm to 6.00pm
- The possibility of co-opting already trained experts in pensions to join the Board could be investigated. However, a reservation was expressed about this, and an alternative suggestion made that more use could be made of the existing advisers to the Sub-Committee, such as Mercer
- All decisions made by the Sub-Committee should be made at a formal meeting, rather than online
- Referring to the Pensions Sub-Committee specifically, a view was expressed that it would probably be difficult to identify the recommended seven members and that five would be a more achievable number

RESOLVED:

That the recommendations of the Monitoring Officer, detailed in the presentation, be approved as follows:

- (a) Pensions Board to elect its own Chair and this should rotate between members and employers, subject to capability
- (b) Pensions Board members should attend "appropriate" (rather than "mandatory" as specified in the presentation) training sessions which should be listed in the Terms of Reference
- (c) Pensions Board Terms of Reference to be revised to reflect the full requirements of the Statutory Guidance and to make it clear that the Board had a scrutiny function, supporting the Sub-Committee/Administering Authority in its decision-making processes, but not making decisions in its own right.
- (d) That the revised Terms of Reference referred to in resolution (c) above be circulated to members of the Board in advance of being considered by Islington Council.
- (e) Pensions Board should meet after the Pensions Sub-Committee to scrutinise decisions taken. Pensions Board should allow for a minimum of two hours to properly scrutinise matters
- (f) That the Pensions Board meet approximately within ten working days after the Sub-Committee.

(g) That a summary of decisions be produced after the Sub-Committee, for consideration by the subsequent Board, which had been cleared and approved by the Chair of the Sub-Committee.

(h) That Pensions Board should formally receive reports on all aspects of the Pension Fund, including investments.

(i) That meetings of the Board be scheduled for the following dates, from 4.00pm to 6.00pm:

12 July 2023

5 October 2023

6 December 2023

20 March 2024

Pensions Sub-Committee

(j) Noted the recommendations proposed for changes to the Pensions Sub-Committee.

73 LGPS - PENSIONS' RISK REGISTER (UPDATED SINCE LAST BOARD MEETING) (Item B2)

On behalf of the Board, the Chair thanked Alan Begg for his work in reviewing the format of the Risk Register.

Mr Begg outlined the suggested changes he had made to the draft Register produced by the Pensions Team:

Each risk was now numbered in the left hand column

There were 24 strategic ie not operational risks

Additional wording had been added to each risk

An additional column on "Trend" had been included, which should indicate immediately whether there had been any change since the Register was previously reviewed

The columns headed "Current Risk Score" referred to inherent risks which were to be mitigated by "Current controls in place to manage risk"

Colour coding should be included to provide visual impact

The following points were made during discussion:

- The column headed "Trend" should be moved to the far right of the table
- Noted that the Director of Finance would take up with HR Payroll Team the issue of the need for timely provision of payroll data to the Pensions Team to avoid risks associated with that
- Although this year's performance had been mitigated with much effort by the Pensions Manager and his Team, it would be necessary to ensure that there were no similar repercussions next year caused by delays in data from HR Payroll Team to the Pensions Team. An update would be welcomed to the Board in October 2023 on progress

RESOLVED:

That Alan Begg be thanked for his work on the Pensions Risk Register and that the points made above be taken on board as appropriate.

74 **PENSION FUND ADMINISTRATION COST 3-YEAR FORECAST AND ANNUAL CASHFLOW (POSTPONED FROM LAST MEETING) (Item B3)**

In response to a question, the Head of Pension Fund and Treasury Management confirmed that the Fund was forecasted to remain in a net negative cashflow position and would need to draw down on investment income to meet expenditure in the sum of approximately £16m per year. This had been the case for a number of years.

A suggestion was made that a session on pensions should be included in the Council's Corporation Induction programme, to ensure that employees were made aware of the rules around auto-enrolment and death grants, amongst other aspects of the Pension Scheme.

The Board thanked the Council's Communications Team for its campaign to advise and engage staff on AVCs.

RESOLVED:

To note the contents of the report of the Corporate Director of Resources.

75 **DATES AND TIMES OF FUTURE MEETINGS (Item B4)**

Detailed in minute 72 above.

The meeting ended at 5.55 pm

CHAIR