

London Borough of Islington

**Pensions Board - 12 July 2023**

Minutes of the meeting of the Pensions Board held in the Council Chamber, Islington Town Hall, Upper Street, N1 2UD on 12 July 2023 at 4.00 pm.

**Present:** Alan Begg, Mike Calvert, Valerie Easmon-George, Maggie Elliott (Vice-Chair) and Councillor Dave Poyser (Chair)

Councillor Paul Convery (observer from Pensions Sub-Committee)

**Councillor Dave Poyser in the Chair**

**76 APOLOGIES FOR ABSENCE (Item A1)**

None.

**77 DECLARATION OF INTERESTS (Item A2)**

None.

**78 MINUTES OF THE PREVIOUS MEETING (Item A3)**

**RESOLVED:**

That the minutes of the meeting held on 19 April 2023 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matters arising:

Noted (i) that a report detailing the new terms of reference for the Pensions Board, to be approved at the Council meeting on 13 July 2023, would be submitted to the next Board meeting for information.

(ii) that the Democratic Services' Officer would seek advice as to whether Board members could attend meetings virtually.

**79 PENSION ADMINISTRATION PERFORMANCE (Item B1)**

The Pensions Manager reported an increase in active membership, a high volume of beneficiaries claiming pensions and an increase in requests for pensions estimates. He proposed that the production of pensions estimates be limited to twice per annum. He anticipated that the pressure on the Pensions Team to produce the estimates would reduce once a self-service system had been introduced.

On the Mc Cloud judgement, the Board were informed that the Team were working with a software supplier to enable them to identify all staff within the scope of Mc Cloud and it was expected that precise numbers might be available by the end of

the year. The Board were informed that the Council had funding in the estimates to meet any McCloud commitments.

In response to questions, the Pensions Manager reported that the Pensions Team was currently being restructured and that there would be 16 posts in the new structure, three of which were unfilled.

**RESOLVED:**

(a) To note the number of members auto-enrolled into the LGPS during the relevant period from 1 February to 30 April 2023, that there was one complaint being considered under the Internal Dispute Resolution Procedure, the numbers of compliments and complaints to the Pensions Team and that there were no current Internal Audit investigations, all as detailed in the report of the Corporate Director of Resources.

(b) That the performance data for the administration activities of the Council's Pensions Office, again as detailed in the report, be noted.

(c) To note the Department for Levelling Up, Housing and Communities' new consultation on the 'McCloud Remedy', detailed in paragraph 3.6 of the report.

(d) To note that the Scheme Advisory Board had commissioned a Sharia compliance report to review the scheme according to Sharia principles, looking also at governance and administering authorities' investment principals.

(e) That the Board's concern at the potential risk to performance, caused by the number of current vacancies in the Team, be noted.

**80 THE KNOWLEDGE AND TRAINING POLICY AND PROGRAMME (Item B2)**

The Head of Pension Fund and Treasury Management asked Board members to ensure that they had completed and returned the self-assessment training document no later than the end of August 2023.

**RESOLVED:**

(a) To agree the Knowledge and Training policy attached as Appendix 1 to the report of the Corporate Director of Resources.

(b) To note that members of the Board had been requested to complete "The Local Pension Boards – a technical knowledge and skills framework - a self-assessment matrix", as recommended by CIPFA, and attached as Appendix 2 to the report, no later than the end of August 2023.

(c) That officers use the matrix to propose training where required.

(d) That Board members and officers keep a record of training and review self-assessment matrices at least annually

**81 PENSION FUND- DRAFT 2022/23 YEAR END ACCOUNTS (Item B3)**

The following points were noted during discussion:

- Alan Begg's welcoming of the report for review of the draft Annual Accounts and the related report and appreciation of the early drafting of the Accounts by Finance.

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- Fund Account (page 35) - an explanation to be added regarding the amount of £(48,041) shown as a decrease in the Fund over the year, especially since the commentary made mention of annual income marginally exceeding annual costs. Also, in the Fund Account, the figure of £25,857 for Investment Income differed from its note on page 51 by £297.
- Useful to add narrative to Note 1 (a) General - regarding the composition of Investments by expanding on the meaning of "commitment" against each type of fund and ensuring that, as at year end, the full allocation of the Council's investments by asset class was highlighted and confirm more clearly the sums drawn down at year end against each asset allocation.
- Page 37 – amend "Schedule" to "Scheduled"
- Page 38, Note 1(d) - Funding - whilst stated that the Fund was in deficit, the qualification to be added to it was that the deficit arose from the latest actuarial valuation.
- Page 59, Note 21 - Contingent Assets and Liabilities - substitute "as at 31 March 2023" for "as 2022/23".
- Page 59 – paragraph 20 – line 3 – delete the figure ".85"
- Page 59 – paragraph 24 – include the % of salary of key personnel involved in managing the Fund
- The Chair of the Pensions Sub-Committee's comments that the figures in the draft accounts were unlikely to change in the near future and that the Fund was in a good position, at a level of 96% funding. Many changes had been made to the Investment Strategy over the past months to be on target to meet the Paris agreement of 1.5C degrees by 2050 or sooner.
- Page 50 – fees – all Funds had different strategies for fees and it would be difficult to compare whether Islington was spending more than other boroughs
- Avoid acronyms eg "HRA" for "Housing Revenue Account"
- Page 63 – misspelling of "Dividends"

### **RESOLVED:**

That, subject to the matters raised above, the draft pension fund accounts attached as Appendix 1 to the report of the Corporate Director of Resources, be approved, before external audit commenced later in the year.

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### **LGPS - PENSIONS RISK REGISTER (Item B4)**

A suggestion was made that the risk for item 7 – "Failure to apply correct Pensions Increase (Corporate Payroll)" – should move from 12 to 9 and that the title of the column currently marked "residual risk score" should be changed to "risk score"

It was noted that the red rating for item 14 – "Loss of Investment returns; bond yields fall" would remain. The Fund was stable, despite market turmoil.

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Members agreed that, given the speed with which the financial situation could change, the Risk Register should be presented to each Board meeting.

### **RESOLVED:**

(a) To note the contents of the report of the Corporate Director of Resources and revisions made to the Pensions Risk Register, detailing possible risks associated with the loss of data by Pensions Administrators and cyber risk and the failure to apply the correct Pensions Increase for all pensioner datasets due to software calculation issues

(b) To note that the late provision of payroll reports had moved from a mitigated score rating of 12 to 10, as a consequence of the progress made in creating the year-end reports by the Human Resources Payroll Consultant for the Pensions Team.

(c) That the Risk Register be submitted to each meeting for review.

### **83 FORWARD PLAN OF BUSINESS FOR PENSIONS BOARD (Item B5)**

#### **RESOLVED:**

(a) To note Appendix A attached to the report of the Corporate Director of Resources, comprising the forward programme of business for the Board, and Appendix 2, Mercer's "LGPS News Issue May 2023".

(b) To note that a report on "Investment Review" will be presented to the next meeting of the Board.

### **84 ADDITIONAL ITEM - CONSULTATION ON ASSET POOLING**

The Deputy Director of Finance outlined a consultation by Government on the pooling of Local Government Pensions Fund assets to one of eight pooling organisations to invest on their behalf, increasing investment in infrastructure projects and achieving cost savings through economies of scale. Funds would be required to invest 10% in private equity, with all listed assets transferred no later than March 2025.

A draft response would be prepared and circulated to members of the Board and the Sub-Committee for consideration, before the deadline for closure of the consultation on 2 October 2023.

The meeting ended at 5.35 pm

**CHAIR**