



Local Pension Board

MINUTES of the Local Pension Board meeting held on Wednesday 20 January 2021 at 9.30 am online using Microsoft Teams

PRESENT: Mike Ellsmore – Independent Chair
Dominic Cain – Employer Representative
Diana Lupulesc – Employee Representative
Tony O'Brien – Retired Employee Representative
Allan Wells – Employer Representative
Mike Antoniou – Schools Employer Representative
Chris Cooper - Staff Representative

OTHERS

PRESENT:

Barry Berkengoff – Pensions Manager

Caroline Watson – Senior Finance Manager

Geraldine Chadwick – Senior Finance Manager

James Gilliland – Divisional Accountant

1. TRAINING SESSION: BOB HOLLOWAY – ROLE OF LOCAL PENSION BOARDS AND THE SCHEME ADVISORY BOARD (SAB)

Bob Holloway (BH) conducted the training, and several questions were asked afterwards.

Mike Ellsmore (ME) noted the closeness of Administering Authorities and Local Authorities. BH answered that the solution may be in both greater ring fencing and localising of pension fund budgets, as well as the New Good Governance Project.

Chris Cooper (CC) asked whether or not the regional pools would be able to provide more support. BH replied that London in particular is a problematic asset pool, due the number of participants which resulted in difficulties in achieving a consistent approach. BH acknowledged that there is an expectation that pools can and should do more, and that pools are better resourced to deal with some issues than individual authorities.

Mike Antoniou (MA) mentioned Multi Academy Trust consolidation, and difficulties which Harris has had in this area. BH answered that while simply put, it's a matter of finding a fund willing to take them on, and it may be more complex than that. There are issues of cash flow and adequate management. He mentioned the probations service as an example of where this has been done well. ME mentioned the difficulties of having varying actuarial assessments for employees now in the same organisation.

ME mentioned that there is lots of training out there – CIPFA, LGA and so on. But the problem lies in training or upskilling and inducting new members of the LPB. BH responded that training is key, that the New Good Governance Project will help, and mentioned the statutory duty of members to have adequate knowledge.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Neil Tasker.

3. NOTICE OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING

It was confirmed that agenda item 12 Pensions Advisory Panel Meeting Papers would be conducted in a closed meeting.

It was confirmed that Dominic Cain (DC) was the vice-chair of the meeting.

4. DISCLOSURE OF INTERESTS & DISPENSATIONS

N/A

5. MINUTES OF LAST MEETING

RESOLVED:

That the open minutes of the local pension board meeting held on 7 October 2020 be agreed as a correct record and signed by the Chair.

6. ACTION TRACKER

Caroline Watson (CW) provided an update. The Action Tracker was accepted.

7. PENSIONS SERVICES UPDATE

Barry Berkengoff (BB) introduced the report, saying, despite lockdown it was “business as usual”, with some staff going into the office for short periods, but by February a new hybrid office post solution will be live, where scanning and post will be dealt with remotely.

On Contact Centre, a business case and new job descriptions are with HR (and BB awaits formal evaluation and sign off shortly). BB made reference to earlier training by BH which covered ‘Good Governance’, and agreed that there should be some separation between the local authority and pension fund and recruitment was a good example as it was the fund that pays pension salaries, not the local authority. BB referenced the previous minutes where DC had suggested some Contact Centre stats. BB confirmed he would share the 6-month trial period stats at the next board meeting in April.

The new Civica payroll software is now in the implementation stage, with a May 2021 ‘go live’ date. Three months parallel running (between SAP and our new software) will take place followed by User Acceptance Testing (UAT). BB said he is taking no chances around the annual Pension Increase (PI) exercise in April 2021 and this will be managed through SAP, not the new software. Training for staff takes place in January and February. The pensions admin software is in phase two and expected to go live around April 2022. New payroll job descriptions are also with HR for sign off shortly.

Progress since last LPB meeting - team is currently processing Scheme Pays election forms for 2019-20 annual allowance tax liabilities. A Trivial Commutation exercise has now been completed where small pensions could be commuted into lump sums, and will save the fund approximately £15,000 pa in admin costs.

Pensions have run three training sessions for Southwark HR, and there is now a pension induction course on 'My Learning Source' which is run each Monday.

Complaint management - one case in particular was discussed as it may end up with the Ombudsman; this involved an ill-health tier award and the involvement of Occupational Health. BB suggested to ME that it might be helpful for the board if some training around complaint management and dispute resolution took place.

DC thanked BB for the complaints data and asked if there were any trends. He mentioned that training on complaints would be helpful, perhaps with case studies or cases that had previously gone to the Pensions Ombudsman.

BB replied saying there were no real trends to report as Southwark receives very few complaints. There had been a number of ill-health complaints over the last 2 years which appear to originate from employer actions and a lack of understanding in HR processes. BB said there was work to be done in addressing this, noting the Council had its own HR function; completely separate to the Schools HR function.

Tony O'Brien (TO'B) mentioned that he had seen a lot of these difficulties around ill-health, arising from the ignorance of managers, and that these should be sorted out before they reached the stage of becoming complaints. He would like to see some statistics on complaints and the manner in which they were dealt with. BB agreed to provide further statistics plus cases that had gone to the Ombudsman. BB agreed it was better to resolve matters or find a common ground, but some matters just cannot be resolved and turn into complaints, because they are often emotive and involve money so quickly become entrenched. BB confirmed that the role of his team was to put pension benefits into payment, rather than resolve disputes which might be occurring between employees and their employers.

Allan Wells (AW) asked how the hybrid post office system will work, and if there is security for the personal data concerned. BB replied confirming the solution does not involve access to pension fund data. LPFA use the same third party provider and our contract covers GDPR and data protection. In essence, post addressed to the pensions team will be forwarded to the third party who will then scan it and send it electronically/securely to the pensions team for dealing with, and to upload it to the pension system whilst pension staff are currently working from home.

DC asked about the system changes which represent a risk and asked BB what assurances he could give the board that there will be no move to the new system if issues were identified. BB responded saying UAT would highlight any major issues. But risks are being mitigated (such as PI mentioned above) and we are not using pensions admin system data, instead we are migrating core data from the Council's

payroll system, SAP. Civica software is tried and tested and used by many other LGPS employers. BB does not anticipate any major issues but if there was, then a decision around “go-no-go” would be made. There are back up plans in place.

Finally, regarding the McCloud judgement, there was little news to report as had been covered by BH earlier. BB confirmed that SAB had raised concerns that the proposed solution could in fact be discriminatory in itself. BB said that implementation is likely to be one or two years away and that presently, the £95,000 Exit Cap was causing wider issues across LGPS employers.

8. PENSIONS REGULATOR CODE OF PRACTICE 14 UPDATE REPORT

Geraldine Chadwick (GC) introduced this item. Regarding the action plan, there are some areas of progress, especially the annual declaration of interest form for members of the LPB, and the new website.

ME asked to whom data breaches should be reported, and whether this should be the strategic director of finance and governance. GC will consider this. The report was accepted.

9. PENSION FUND RISK REGISTER

CW introduced this item. The risk weightings have been reviewed, and an appendix had been appended containing details of the methodology used. BB mentioned the new risks included, these being the McCloud judgement, the £95,000 cap, new administration and payroll software, and the post-Brexit situation for overseas pensioner payments.

CW mentioned that risk review is an ongoing process. ME asked whether, in the light of high returns, the risk register was in fact overestimating the risk of failing to meet the fund’s liabilities. CW acknowledged that this may be the case. ME praised the risk register as a whole, and it was accepted.

10. TRAINING PLAN

CW introduced this item. This training plan is based on the needs analysis conducted recently, which received responses from almost all members of the board. This training plan covers all of 2021-22 and 2022-23, but is flexible and can be updated.

ME suggested moving the AVC training scheduled for April elsewhere, and instead having some training on complaints. BB confirmed that this would be possible. CW

confirmed that the AVC training would now be dated “TBC” and complaints training would be substituted in April.

11. LOCAL PENSION BOARD TERMS OF REFERENCE REPORT

CW introduced this item. It is good practice to review the terms of reference periodically, and accordingly, a change is proposed to clause 60 relating to the payment of allowances..

ME mentioned that he has pushed for this and asked what the next steps would be. CW replied that it depends which board members that this is appropriate for.

AW asked for clarification of whether or not this change requires approval from elsewhere. GC responded that further approval is needed from the Constitutional Steering Committee and then full Council.

The proposed change was approved.

12. PENSIONS ADVISORY PANEL MEETING PAPERS – 11 NOVEMBER 2020 MEETING

CW introduced this item. The pension fund has lately received an unqualified audit opinion. Auditors have been particularly focussed on property values and Covid-related risks.

The quarterly performance of the fund has been good, increasing from £1.8 billion in the quarter to September 2020 to £1.91 billion in the quarter to December.

The Investment Strategy Review continues; £150 million will be moved to low carbon assets in February. A Manager Selection Day for Actively Managed Emerging Markets equities will be conducted in February, with an eye to low carbon objectives.

13. DATE OF NEXT MEETING

The next meeting will be at 10am on 7th April 2021.

The meeting ended at 11:18am.