

MINUTES OF THE PENSION BOARD

Thursday 2 May at 2.00pm

Present: Stephen Warren (Chair), Elizabeth Sclater, Gary Cummins, Adam Bowles, Robert Browning (Principal Accountant), Carol Eldridge (Pensions Manager), Sarah Assibey (Clerk)

Apologies: Alex Bush

1. Declarations of Interest

No interest were declared.

2. Minutes

The Minutes of the last meeting were held as an accurate record.

3. Matters Arising- Action Log

Members agreed these actions. The Board went through the list of outstanding actions.

The Board agreed that a review of the Risk Register should be a standing item and on each agenda moving forward.

The Board agreed that all Members should complete a learning needs analysis by the end of June for collation by officers and inclusion on the agenda for the next meeting.

4. Compliance Review Results

The Board received Aon's findings based on their review of evidence provided by officers. Overall, they concluded that Lewisham's compliance was above average but there is still plenty to work towards and improve. Aon identified that, for the areas they reviewed, the Fund was 37% compliant, 47% partially compliant and 16% non-compliant. The Board learnt that the officer view was that most of those items are relatively straight-forward to remedy.

The Board learnt that Aon's review is final and officers provisionally agree with the factual basis of the review, although they had received the review late and have not yet had the opportunity to consider the review in greater detail.

The Board noted that most of the recommendations of the review are for the Administering Authority (AA) with a small number for the Board. The Board agreed that the lead officer should develop two action plans, one for the Board and one for Lewisham as the Administering Authority.

The Board discussed the Compliance Review through sections A-K, particularly highlighting the non-compliant and partially compliant areas. On the sections that were neither fully compliant or need to be addressed in future meetings, the Board:

- i) **B1-** agreed that the lead officer should draft an updated Knowledge Policy (with added objectives) for review and adoption.
B2- agreed that the Chair should be named as the designated person in the policy, with delegated authority to a 'designated officer' and is supported by the Principal Accountant. The Board supported the proposal to establish the role of a compliance officer that will cover Pensions administration and governance compliance within the authority.
B6 and B7- agreed that the Authority, rather than the Board, is responsible for making information available about the Fund, including scheme guides, fact sheets and member newsletters and an up-to-date list of Fund specific documents.
B9- agreed that the lead officer should research any useful induction courses that may be available for new members, develop an 'induction pack' for new members and consult with new members of the Board for input.
- ii) **C1-** agreed that a separate Conflict of Interest Policy should be considered when responding.
C6/C7- agreed that these are matters for the AA to consider when responding.
C9- agreed that Conflicts of Interest should be reported to the Chair for decisions and to the designated officer for record keeping.
- iii) **D2-** agreed that publishing information on the Council or Fund website would not have previously been prioritised, but represents relatively straightforward actions to achieve compliance. The Board agreed that attendance at Board meetings should be recorded and publicised.
- iv) **E1/E2-** noted that the findings here are consistent with the concerns of the Board and actions are already in place to address them. As practice of good governance, the Board recommended implementation of recommendations on risk management should be treated as a priority.
E6- agreed that the standing item to review scheme risks should be included on the agenda following completion of the risk register.
- v) **F –** noted that responsibility falls to the AA.
- vi) **G8-** agreed that the lead officer review the regulations and guidance and consider the cumulative effect and material significance when responding.
- vii) **H-** noted that the partially and non-compliant requirements can be resolved with minimal difficulty
- viii) **I-** recommended that the IDRPs should be reviewed and amended in line with the current requirements and as specified in the compliance review.
- ix) **K4-** agreed that the Chair should be responsible for ensuring that the policy and framework is developed and implemented.

K6- recommended that the AA prepare a list of core documents recording policy about the administration of the Fund and make the list and documents accessible to members.

K10- noted the Members Register of Interest is not published online. The Board agreed that the lead officer should clarify this requirement with Aon

K12- agreed that a report on FOI compliance would be considered at a subsequent meeting

K13- recommended that the Fund should prepare and maintain a Breaches Policy and provide training on breaches appropriately.

RESOLVED to implement the actions agreed by the Board and convey the recommendation to the AA.

The lead officer reported that Aon's perspective is that the Board now has ownership of the model and recommend an annual review, whether conducted internally or externally, to determine the direction of travel.

Aon can also offer support and training to help meet the suggestions they put forward. The lead officer asked if other suppliers should be considered for support. The Chair stated that implementation support should fall under the responsibility of the AA to maintain the transparency of the procurement process. He also said that if there is direct related follow on support that this should be considered first before looking at a new supplier- this may also mean that there is a lower cost for a follow-on review from the supplier currently used.

Action

The Board agreed that two separate action plans, one for the Board and one for the AA should be drafted for consideration by the Board at its next meeting.

The Board agreed that the lead officer bring back options and associated costs for further reviews to its September meeting.

5. Pensions Investment Committee Update

The Board noted that the Committee will not be committing to a new investment strategy since the last update, due to the actuarial valuation taking place. The outcome will determine the Committee's investment strategy going forward. Its last strategy was based on divesting from equities and investing in infrastructure and private debt.

The Board noted that a key theme that the Committee is considering at every meeting is responsible investing, including its approach to climate change and reducing the Fund's carbon footprint. From the results of the carbon footprint exercise being undertaken by Trucost, the Committee will take a view on how to reduce the Fund's carbon exposure.

The Board noted that there is a political commitment in the Labour manifesto for the Council, as well as a clear commitment in the Council's corporate strategy, to move away from fossil fuel exposure and high carbon funds in the Pension Fund specifically. The Board noted that the Committee does have legal advice at meetings.

The Board noted that there are currently no funds held with the CIV. The Board noted that the MHCLG consultation addressed pooling where it suggests that the onus will be on the Fund to get everything transitioned into the CIV soon and there will be

restrictions on the AA's ability to do anything outside of the CIV going forward. The Board noted that the PIC does plan to transition assets into the CIV; the Fund will still operate its own Investment Strategy and invest accordingly.

The Board recognised the importance of the AA securing assurance over the operation of the CIV before it invested funds in it.

Action

The Board agreed that the lead officer should prepare a paper for its September meeting to consider the AA's relationship with the CIV, including how the AA gains assurance on the governance of the CIV; the identification, assessment and mitigation of risks around the CIV; and how the CIV manages its relationship with fund managers and other service providers.

RESOLVED the Board agreed the report

6. Pension Board- General Update

The Board received and considered a report:

- 6.1. Register of Conflicts: The Board agreed that the register will be a standard item on the agenda
- 6.2. Breaches of Law Log: The Board agreed that there should be a standing item in the report reporting any breaches or that there had been none.
- 6.3. Communications Policy: The Board discussed the matter of electronic communication. The Board recognised that the provision of information, whether paper or electronic must be feasible and GDPR compliant.
- 6.4. Discretions Policy: The Board noted that admitted bodies can have their own policies but usually have the same policies as the AA. The Board noted that the policy is reviewed frequently and was last reviewed in April 2019.
- 6.5. Internal Audit: The Board noted that the latest review of the pension fund gave a satisfactory rating overall; that the internal audit report sets out the recommendations and findings and that work continues to implement the recommendations against the three medium priority findings. The Board agreed that it would receive an update on implementation of the recommendations at its September meeting.
- 6.6. Scheme Advisory Board: the Board noted that the Scheme Advisory Board had commissioned Hymans to conduct a "good governance" review to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which may strengthen LGPS governance.
- 6.7. Pension Board Members' Spring Seminar - February 2019: The Board noted that the annual survey summary and LBL's performance against that will be reviewed by officers. The Board agreed that they would be discussed at a subsequent meeting.

- 6.8. Training: The Board noted that the recommendations had been considered and action agreed earlier in the meeting.
- 6.9. Work Programme: The Board agreed that its work programme should be restructured to consider the specific responsibilities as reviewed by Aon.

RESOLVED the Board noted the report

The meeting finished at 4.05 pm