

LOCAL GOVERNMENT PENSIONS BOARD

Tuesday, 8 June 2021

Minutes of the meeting of the Local Government Pensions Board held as a virtual public meeting and livestreamed at https://www.youtube.com/watch?v=9CX5tAo_hd8 on Tuesday 8 June 2021.

N.B. This meeting was held informally, with the views reached by the Board approved formally by the Chamberlain after the meeting, in accordance with the Court of Common Council's Covid Approval Procedure. This process reflects the current position in respect of the holding of formal Local Authority meetings and the Court's decision of 15 April 2021 to continue with virtual meetings, with formal confirmation of decisions provided through a delegation to the Town Clerk, or his nominated representative, after the informal meeting has taken place and the will of the Committee is known.

Present

Members:

James Tumbridge (Chairman)
Christina McLellan

Jon Averbs
Mark Wheatley

Officers:

Kate Limna	- Corporate Treasurer
Matt Mott	- Pensions Manager
Christopher Rumbles	- Town Clerk's Department
Jeff Henegan	- Chamberlain's Department
Aqib Hussain	- Chamberlain's Department

The Town Clerk took the opportunity to update the board on the recent recruitment and selection process for the Scheme Member Representative vacancy on Local Government Pensions Board having resulted in the appointment of David Pearson. The Chairman added that the Board would look forward to welcoming David at the next meeting.

1. APOLOGIES

Apologies were received from Martin Newnham and David Pearson.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations of interests.

3. MINUTES

- a) The public minutes of the Local Government Pension Board meeting held on 8th March 2021 were approved as a correct record.
- b) The public minutes of the Local Government Pensions Board meeting held on 6th May 2021 were approved as a correct record.

4. **OUTSTANDING ACTIONS**

The Board considered a report of the Town Clerk which set out outstanding actions from previous meetings of the Board.

Target Operating Model - The Chairman confirmed he had written to the Town Clerk and Chief Executive highlighting the the Board's concerns in ensuring independence of the Pension Scheme within the new proposed Target Operating Model. The Chairman referred to an acknowledgement of his letter, but no formal response having been received to date. The Town Clerk agreed to follow up with the Town Clerk and Chief Executive on behalf of the Chairman.

Resolved, that the report be received.

At this point in the meeting the Board agreed with the Chairman's proposed re-ordering of the agenda to allow items 6 and 7 to be dealt with in advance of item 5.

6. **CITY OF LONDON LOCAL GOVERNMENT PENSION SCHEME - RISK REGISTER**

The Board received a report of the Chamberlain presenting the existing Risk Register and seeking views on whether the Board considered there to be any further risks relating to the pension administration overseen by the Local Government Pensions Board.

The Chairman referred to two current risks relating to Pension Administration Software and LGPS having sufficient assets showing as amber and questioned what was being done to help improve the position on these risks with the aim of eventually seeing an overall improvement and allowing them to move to green.

The Corporate Treasurer agreed that it would be welcome to see all risks as green. It also had to be recognised that with certain risks no matter how much you mitigate it would not always be possible to get everything down into a green risk. The Corporate Treasurer proposed cross-referencing the risk with Financial Investment Board to ensure they align. The Chairman welcomed the Corporate Treasurer's proposal to cross reference the risk with Financial Investment Board, whilst stressing the Board should not be bound to exactly the same position given the differing roles of the two Board's.

The Chairman accepted it would be unlikely to move the risk into the bottom green, but suggested consideration should be given to targeting an improvement and moving the risk down.

The Chairman stressed he considered it important to be clear on whether there was room for improvement on key risks or to at least have a modest target to look to move towards.

The Pensions Manager updated the Board on the Pension Scheme Administration risk confirming the contract award was likely to be in advance of the next Board meeting when the risk would move to green. The Chairman

acknowledged the ongoing risk but suggested the risk should already have been showing as being targeted towards green given the ongoing work in putting a contract in place.

A Board Member questioned whether it would be appropriate to add a risk relating to the McCloud judgment given the potential resourcing issues. The Board agreed to consider this point as part the presentation at item 5 and to consider at this point whether a risk should be added.

The Board agreed to the risk register as presented. The Chairman commented on a clear steer having been given to Officers that the Board would like risks considered further with a view to targeting these differently moving forward.

Resolved, that the Board endorse the existing risks and actions presented on the Local Government Pension Board's Risk Register.

7. **THE CITY CORPORATION'S PENSIONS SCHEME - UPDATE**

The Board received a report of the Chamberlain providing information on a range of topics in relation to the City Corporation's Local Government Pension Scheme.

The Chairman referred to the McCloud judgement and Target Operating Model as being two key issues, both of which had been otherwise addressed on the agenda. The Chairman confirmed he would update the Board on any reply he receives from the Town Clerk, which he hoped a chaser might elicit.

Resolved, that the Board note the update.

5. **PRESENTATION ON MCCLLOUD**

The Pensions Manager presented to the Board and explained how the McCloud judgment came about, offered a summary of the journey to date, talked through implications on Public Service Pension Schemes, possible next steps, a proposed remedy and the challenges presented through its implementation.

The Chairman questioned whether it was possible to provide any estimate on the number of scheme members affected by this judgement and the Pensions Manager explained it would not be possible to calculate exactly until the remedy criteria had been agreed. The Pensions Manager further clarified that out of approximately 1300 people that had retired over the last six years 20 have benefited from the current underpin since its introduction in the 2014 regulations.

A Board Member thanked the Pensions Manager for his helpful update and the clarity it provided. The Board Member referred to a question that had been put to him by a Scheme Member following the McCloud judgement. This being as follows:

Would members of the Local Government Pensions Scheme be allowed to stick to the original final salary pension scheme, rather than move over to the changes that have happened subsequently? Would they be eligible to do so in light of the decision?

The Pensions Manager explained that Scheme Members cannot stay in the pre-2014 scheme as everyone was transferred over to the CARE scheme on 1st April 2014, effectively closing the final salary scheme to further accrual or membership. Only scheme members who qualify for the underpin may receive benefits from the pre 2014 scheme to the date of leaving as the underpin process provides two values, one from the CARE scheme and one from the pre 2014 scheme. The pension paid is automatically the higher of the two calculations.

A Board Member remarked on there being the potential of having to carry out a calculation for all Scheme Members and the Pensions Manager clarified that potentially anyone who was a Scheme Member on 31st March 2014 may qualify for an assessment of underpin protection.

The Pensions Manager responded to a further question relating to resourcing implications and explained how resourcing requirements would depend on how well the software would be able to assist with the process. The Pensions Manager confirmed that there were likely to be issues to bring back to the Board as they start to understand the remedy and how the software would be able to assist. The Pensions Manager confirmed an update would be brought back to the Board as work progressed.

A Board Member remarked on it being very complicated to understand and suggested this could present a logistical challenge when sending out information and notes explaining the position and in looking to minimise the number of enquiries coming back.

The Chairman commented on there being four key areas for inclusion in a written report to the next Board meeting. These being:

- Legislative reporting requirements would require an additional line to account for the McCloud element.
- There was now a need to include McCloud on the risk register.
- As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.
- With the position having now been reviewed, and in light of the Deputy Chairman's comment at the last Board meeting, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members.

The Pensions Manager acknowledged the importance of software in moving forward and offered an assurance to the Board that the software provider used was also the provider to 80 other Local Government Pension Funds, which means they have a huge investment in getting it right. The Pensions Manager confirmed he was one of 80 Pensions Managers across the country feeding into the development of the software and the City Corporation's Pension Scheme was well positioned to receive the software and to understand it.

The Pensions Manager agreed that McCloud should be included as part of the Risk Register relating to calculations, communications, software and resourcing and to be reported at each meeting.

The Chairman reiterated how he considered it would be sensible to produce a suitable briefing note for Scheme Members. The Chairman questioned whether the communication should be targeted or sent to all Scheme Members. The Board agreed that a targeted communication to those affected would be the preferred option. The Chairman agreed to this and suggested it be left to officers to identify an appropriate subset of Scheme Members.

The Chairman referred to Scheme Members having previously raised their concerns with Board Members. The Chairman suggested he would like to put in place a timetable for getting a communication out to Scheme Members, with the aim of getting this out during July, which the Board supported. The Chairman proposed officers work in consultation with him in providing an appropriate communication to Scheme Members during July.

The Pensions Manager responded and explained that throughout the summer the team would be preparing annual benefits statements that would include a note about McCloud. This would be one of the busiest periods for the team and if any extra enquiries were generated as a result of a communication it would increase pressure on the team. The Pensions Manager proposed a communication be drafted for presentation to the Board at the next meeting in October post annual benefits statements with the aim to release it to Scheme Members late October through to November, at which point there may be more information coming out on the remedy and the Working Groups.

The Chairman responded and suggested he was not minded to agree to the Pensions Manager's proposed timetable. The Chairman referred to a request of the Deputy Chairman at the last meeting to get on a produce a communication to Scheme Members and there being a group of people that were beginning to ask questions now; waiting until November seemed a fair distance off to start communicating. The Chairman proposed an update of no more than one or two pages referring to McCloud, confirming it was being reviewed, that it may impact a small number of individuals that had been in the scheme for a long time and that further detail would follow in November.

The Board agreed that some form of communication should be sent out, if possible, indicating McCloud was being dealt with and the position was under review.

The Pensions Manager reiterated a key concern being the generation of additional queries at one of the busiest periods in the Pensions Office. The Chairman suggested the communication could make clear it was an interim matter and suggested any queries that come through could potentially assist with any proposed further communication in the autumn.

The Chairman added that the Board needed to be responding to the concerns of Scheme Members. As two Board Members had been approached it shows a

genuine interest among Scheme Members in this issue. The Chairman raised a concern that the Board would look as though it was not responding to the concerns of Scheme Members unless some form of communication was put together and circulated.

The Pensions Manager referred to the annual benefits statements going out at the end of August, with a statement on McCloud from the LGA to be included. An additional one-page communication could be put into every annual benefit statement. This would allow more time to deliver, queries would come in at one specific time and it would be easier for the printers to print, thereby reducing the cost.

The Chairman responded confirming a proposal that suggested waiting until the autumn was not persuading him that the Board would be dealing with the issue they were concerned about, which was the Board reflecting the interests and concerns of Scheme Members in letting staff running the scheme know what was exercising concern. As such, the Chairman suggested something should be done to assure those that have asked questions of Board Members that the Board were considering it.

The Corporate Treasurer referred to the significant cost involved in a mailout and suggested tying this up with the Annual Benefits Statements at the end of August where possible. This would result in a saving of few thousand pounds.

The Chairman confirmed his position would be to identify a subset of people that were likely to be interested and or concerned about this matter. The Chairman confirmed he would like to see a communication produced as soon as possible. A short note explaining the high-level position, that the Board were aware of the decision, noting it may impact some people, confirming it was under review and confirming more information would follow.

The Chairman proposed officers come back to him with a suggested subset of Scheme Members and presenting communication options. The Chairman would make a final determination about when a communication was to be put out and on what basis. The Chairman confirmed he was happy to be flexible but that he would like to put something to go out promptly.

The Chairman asked the Pensions Manager to come back to him with what would be possible, with the intention getting a communication out before the August break given Scheme Members have been asking questions of Board Members.

The Board were agreement with the Chairman's proposed approach.

8. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were no questions.

9. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no additional items of business.

10. **EXCLUSION OF THE PUBLIC**

Resolved, that under section 100(A) of the Local Government Act 1972, that the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the non-public minutes of the previous meeting on 8th March 2021 be approved as an accurate record.

12. **NON-PUBLIC APPENDIX: THE CITY CORPORATION'S PENSION SCHEME UPDATE**

The Board received a non-public appendix relating to the City Corporation's Pension Scheme Update.

13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There were no non-public questions.

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

The meeting closed at 3.00pm.

Chairman

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