

**PRESENT**

**Members of the Pension Board:**

Cllr. Charles Williams (Chair)  
Lyn Myers (Vice-Chair)  
Andrew Almond  
Kenneth Davison  
Cllr Malcolm Spalding

**Officers:**

David Coates – Head of Pensions  
Mat Dawson - Senior Finance Manager - Pensions  
Julia Stevens – Pension Fund Manager  
Phil Triggs - Tri-Borough Director of Treasury and Pensions  
Tom McColgan, Jerome Treherne - Governance Services

**A G E N D A**

**A1. APOLOGIES FOR ABSENCE**

None.

**A2. DECLARATIONS OF INTEREST**

The Chair declared that he was in receipt of a small pension from the Council's pension scheme.

**A3. MINUTES OF THE PENSION BOARD MEETING ON 22 JULY 2020**

The minutes were agreed as a correct record.

**A4. MINUTES OF THE INVESTMENT COMMITTEE MEETING ON 28 SEPTEMBER 2020**

It was noted that two meetings had been held by the Investment Committee since 22 July. The Chair commented that the recently co-opted members to the Investment Committee seemed to be contributing usefully. There were no comments on the Minutes.

**A5. RISK MANAGEMENT AND AUDIT SERVICES**

Phil Triggs reminded the Board that a full risk register was submitted to each Investment Committee meeting and that both the Pension Board and the Investment Committee had official responsibility for the oversight of risk.

Cllr. Williams referred to a webinar event he had recently attended presented by Aegon on cybercrime and local authority pension schemes. He asked if there were any risks associated with pension administration dataflows which were not captured by the Council's systems and risk management procedures. David Coates said that dataflows between Hampshire CC and Surrey CC on active pension members were securely sent and the current security measures would continue from 1 April 2021. Other major dataflows were from third parties such as schools, payroll providers and academies which submitted annual record securely via encrypted information. A few external organisations sent information via normal email and these providers were asked to encrypt this data before sending it. From April 2021 the 'I Connect System' was to be phased in which would require all data providers to submit information via a secure portal system. Cllr Williams welcomed these steps to strengthen security and it was agreed that this type of risk should be added to future risk registers.

**Action by: Julia Stevens/Phil Triggs**

Cllr Spalding questioned the likelihood rating of 2 for loss of funds due to fraud or misappropriation (risk reference 6). Phil Triggs said scores were subjective though submitted in consultation with the industry. He confirmed that officers assessed that internal controls to mitigate this risk were in place and effective. It was noted that a report into the potential of this type of fraud should be submitted to a future Pension Board meeting and it should include how a score of 1 could be achieved.

**Action by: Phil Triggs**

Cllr Spalding listed certain other risks which had higher likelihood ratings and asked officers to submit responses following the meeting.

**Action by: David Coates**

Phil Triggs advised that the mitigation actions in most cases led to a revised lower likelihood in the risk rating. On the administrative side, internal audit's annual report and assessment normally recommended some new or tighter controls to reduce risk levels. Julia Stevens commented that dates within the risk analysis reflected the progressive updating of the risk register during the year.

Cllr Williams in conclusion clarified that the risk register was intended to identify key risks and what mitigation measures were in place but that certain risks could not be eliminated. The Board also noted that the Investment Committee also considered the investment related risk ratings.

The report was received and noted.

## **A6. DIRECT PROPERTY UPDATE**

Phil Triggs commented that it was likely to take three years to achieve the investment strategy's aim of a 20% return from the property-based portfolio. It was noted the current return was 2.2%. This topic was discussed further in the part B agenda of the meeting.

The report was received and noted.

#### **A7. SUPREME COURT DECISION ON LGPS INVESTMENT GUIDANCE**

Phil Triggs commented that officers often responded to queries concerning investments policy. In such cases, the Investment Committee Chairman did not become involved.

The report was received and noted.

#### **A8. MCCLOUD CONSULTATION**

Phil Triggs highlighted the administrative challenge of calculating career averages and final salaries in particular if employee records were incomplete with gaps in scheme member data. He advised that the 2019 actuary valuations into the additional costs of these changes were reasonably accurate and the McCloud solution costs had been included in the financing for the scheme.

Davis Coates advised that officers relied on Surrey CC's record keeping and the disaggregating of employee records.

The report was received and noted.

#### **A9. INVESTMENT ASSET AND FUND MANAGER ALLOCATION UPDATE**

The report was noted.

#### **A10. ANNUAL REPORT AND ACCOUNTS**

It was noted that the Annual Report and Accounts had already been scrutinised by the Investment Committee and editorial changes suggested by its chairman had been incorporated into the report to the Pension Board.

Cllr Spalding commented that the margin headers on each page referred to 2018/19 rather than 2019/20 and the paper included updates of the position after March 2020, which was inconsistent with a snapshot report for the year ending 31 March 2020. Phil Triggs would ensure these points were amended before it was published at the end of the week.

**Action by: Julia Stevens/Phil Triggs**

The report was noted.

#### **A11. PENSION ADMINISTRATION UPDATE**

David Coates summarised the key elements in the report. Overall, he commented that there had been a gradual improvement but in some areas it had been minimal.

Concerning scheme members losing touch with the pension administrator, David Coates confirmed deferred members were always reminded they needed to inform the administrator of any change of home address. Such updates could now be implemented remotely through the member self-service system. However, currently only 30% of deferred members used the self-service system and next year deferred members would be contacted to encourage them to register for self-service. The pensions administrator was keen to increase use of the self-service by members who lived abroad. It was noted that the address tracing mechanism was helpful for UK-based members only.

The Chair suggested that it would be useful to remind staff when they left the Council's employment of the importance, if their pension rights were not transferred, of informing the Council of any future change of address.

**Action by: David Coates**

The report was noted.

#### **A12. RBKC EXIT FROM SURREY – PROJECT UPDATE**

David Coates summarised the report and confirmed that the transfer of the whole service was on track to meet the agreed transfer date. The report was noted.

Cllr Spalding asked for confirmation on which indices would be used by this pension scheme to set the annual pensions increase.

**Action by: David Coates**

#### **A13. MERCER – COMPETITION AND MARKETS AUTHORITY REPORT AND CONTRACT EXTENSION PROPOSAL**

Phil Triggs summarised the report. It was noted that the Executive Director for Finance and Assets would sign off the extension contract. Cllr Williams commented that he was reassured that the Investment Committee challenged the advice from the investment consultants. The report was noted.

#### **A14. ANY OTHER PUBLIC BUSINESS**

Cllr Williams reminded the Committee of the member training session to be held in December.

#### **EXCLUSION OF PRESS AND PUBLIC FROM THE MEETING**

*RESOLVED: to exclude the press and public from the meeting for Items B1-B3 on the grounds that it was likely to involve the disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, relating to any*

*individual and the financial or business affairs of any particular person (including the authority holding that information).*

**B1. PART B MINUTES OF THE INVESTMENT COMMITTEE MEETING HELD ON 22 JULY 2020**

The Minutes were approved.

**B2. DIRECT PROPERTY UPDATE**

The Board discussed the details of three property purchases as well as the degree of independent and expert advice the Investment Committee could draw on.

No other matters were discussed.

The meeting ended at 4.02pm.

Chair