

LOCAL PENSION BOARD

Minutes of the meeting held at 3.30 pm on 12 June 2019

Present

Emma Downie (Chairman)

Pinny Borg
Lesley Rickards
Vinit Shukle (Observer)

Also Present

Fahar Rehman (L B Bromley Pensions Manager)
Keith Pringle (L B Bromley Democratic Services)

1 APOLOGIES FOR ABSENCE

There were no apologies.

2 APPOINTMENT OF CHAIRMAN 2019-20

Emma Downie was appointed Chairman for 2019-20.

3 DECLARATIONS OF INTEREST

There were no declarations.

4 MINUTES OF THE PREVIOUS MEETING HELD ON 6 NOVEMBER 2018

The minutes were agreed.

5 MINUTES OF THE GENERAL PURPOSES AND LICENSING COMMITTEE MEETINGS HELD ON 27TH NOVEMBER 2018, 12TH FEBRUARY 2019, AND 16TH MAY 2019

The above minutes were noted and in so doing the Pensions Manager highlighted the points outlined below.

General Purposes and Licensing Committee Meeting, 27th November 2018

In regard to Minute 62, *Governance and Administration of Public Service Pension Schemes*, the Pension Regulator's Code of Practice on Governance and Administration of Public Service Pension Schemes (Code of Practice No.14) provides a check for pension schemes on good governance (covering four core

areas of governing the scheme, managing risks, administration and resolving issues). A self-assessment RAG rating for the Council's pension arrangements contains no reds and plans are being put in place to ensure full compliance, primarily focussing on those areas not already rated green.

Minute 63, *Local Government Pension Scheme (Amendment) Regulations 2018*, concerned details of required amendments to the Council's published discretionary policies arising from the regulations and a new requirement to pay an employer leaving the scheme any surplus exit credits where the assets of the exiting employer are greater than their pension liabilities based on calculations by the scheme actuary. The Pension Fund should pay any surplus to an employer exiting the Pension Fund within three months of the exit event. There is however a few employers with an admission agreement in the Bromley Fund having a "pass through" arrangement which are being reviewed to ensure the terms fully reflect this new requirement.

6 MINUTES OF THE PENSIONS INVESTMENT SUB-COMMITTEE MEETINGS HELD ON 7TH NOVEMBER 2018, 14TH JANUARY 2019, AND 5TH MARCH 2019

Board Members also noted the above minutes with the Pensions Manager highlighting notable points as summarised below..

Pensions Investment Sub- Committee, 7th November 2018

The Bromley Fund's market value at 30th September 2018 stood at £1,045.5m (increasing from £1,017.9m at 30th June 2018). The Bromley Fund also won the LGPS Fund of the Year (assets under £2.5bn) in 2018, in recognition of the Fund's consistent high performance (this was in addition to the Fund having won the LGPS Investment Performance of the Year in 2017).

Pensions Investment Sub- Committee, 5th March 2019

The Fund's market value at 31st December 2018 ended the quarter at £963.7m with market conditions having led to a significant negative performance for the Fund in Quarter 3 2018/19 (echoed around the country). However, the Fund's market value increased considerably in the final quarter of 2018/19, roughly reversing the fall in value during the third quarter.

7 PLANNING FOR TRIENNIAL VALUATION

An update was provided on the process for the forthcoming triennial valuation of the Bromley Fund.

Officers have sent details of the Fund to Mercers (the Fund's Actuary) with Fund data expected to follow in early August 2019. Final valuation results are expected from Mercers in February 2020 and the valuation will be effective from 1st April 2020.

8 MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT CONSULTATIONS

Board Members had received a Government Consultation document entitled “*Local Government Pension Scheme: Fair Deal – Strengthening pension protection - Policy consultation*” and the Council’s response.

Board Members also considered the Council’s response to Government consultations on:

- Changes to the Valuation Cycle and Management of Employer Risk; and
- The Good Governance Project Survey (Council response tabled at the meeting)

Local Government Pension Scheme: Fair Deal – Strengthening pension protection - Policy consultation

The Government sought views on proposals to make amendments to the LGPS in England and Wales requiring service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer. The proposed reforms would mean that independent providers would no longer have the option of providing transferred staff access to a broadly comparable scheme. Instead, employees would always have continued access to the LGPS.

In outlining aspects from the draft Fair Deal regulations, the Pensions Manager referred to the proposed Deemed Employer Status explaining how this might work and how the Council could be expected to be considered a Deemed Employer for schools under the regulations. But an Academy could also be considered a Deemed Employer where it commissions arrangements such as a cleaning contract.

Brief details were also outlined on exiting arrangements, including how surpluses would be treated in the case of a Deemed Employer.

Changes to the Valuation Cycle and Management of Employer Risk

Under Government proposals, it is intended to change the LGPS valuation cycle from three to four years in order to bring the LGPS valuation cycle in line with other Public Sector schemes.

The Pensions Manager provided a brief overview of the consultation document. The Council is working on a response which will be shared with Board Members in due course.

Reference was also made to employer risk, reviewing the risk that employers have in LGPS pension funds, and looking at how this risk is assessed and managed.

The Good Governance Project Survey

A brief outline was given of governance proposals set out in the survey and certain points were highlighted to Board Members. The proposals centred on the following four options:

- Option 1 - Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas;
- Option 2 - Greater ring-fencing of the LGPS within existing structures - greater separation of pension fund management from the host authority, including budgets, resourcing and pay policies;
- Option 3 – Use of new structures: Joint Committees; and
- Option 4 - An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions. This might be through a combined authority route or through a public body established by statute.

A detailed response to the survey had been provided by the Council and this was circulated at the meeting.

A question was asked on what responses had been provided by other local authorities. The Pensions Manager had not seen any responses but suspected there may be similarities.

9 NATIONAL ISSUES AFFECTING THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The Pensions Manager updated the Board on two current issues.

The first concerned the McCloud judgement. This relates to transitional protections given to scheme members in the judges and firefighters schemes as part of public service pensions reform who in 2012 were within 10 years of their normal retirement age. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

In all public service schemes, protections were applied to members of the schemes within 10 years of retirement. The form that protection took varies from scheme to scheme. Although the case only directly relates to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. If the protections are unlawful then members found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members.

Government are expected to appeal against this decision.

The second issue relates to an exercise to reconcile records for certain members of the LGPS against records held by HMRC (GMP Reconciliation). The deadline for responses to HMRC is 31st December 2019 and Board Members were advised that there are only a few records left to check i.e. to confirm with HMRC what is on their records for the members concerned. This links to 'GMP equalisation' but current expectations are that this will not have a significant impact on LGPS Funds.

10 TRAINING

Board Members were reminded to complete their T&R Trustee Toolkit.

Board Members should also advise the Pensions Manager of any specific training requirements.

11 ANY OTHER BUSINESS

It was intended to provide the Local Pension Board Annual Report to the Council's General Purposes and Licensing Committee for its meeting on 6th November 2019.

The General Purposes and Licensing Committee also confirmed the appointment of Vinit Shukle as a Member Representative of the Board at its meeting on 16th May 2019. The appointment would be effective from 1st July 2019.

12 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

13 EXEMPT MINUTES OF THE GENERAL PURPOSES AND LICENSING COMMITTEE MEETING HELD ON 12TH FEBRUARY 2019

The Board was updated concerning Minute 86, *Cessation of Admission Body – Deficit Repayment Plan*.

14 EXEMPT MINUTES OF THE PENSIONS INVESTMENT SUB-COMMITTEE MEETING HELD ON 14TH JANUARY 2019

Board Members received the above Part 2 Minutes for information.

The Meeting ended at 4.09 pm

Chairman