



Local Pension Board (LPB)

**Minutes of the meeting
held on 12th September 2016, 10:00am
Room G.06, 169 Union Street, London, SE1 0LL**

LPB Members	William Bourne Omolayo Sokoya Simon Steptoe Jamie Ratcliff Sean Brosnan Frank Smith Bernadette Jansen Charles Angus	LPB Chairman Member representative Member representative Member representative Employer representative Employer representative Employer representative Employer representative
In attendance:	Mike Allen Greg Smith Skip McMullan Anastasia Kilmenko	LPFA Managing Director LPP Group Company Secretary (Items 1-3) LPP Shareholder Director (Items 1-3) EA to LPFA Managing Director (Observer)
Minutes taken by	Rebecca Pitt	LPP Governance Advisor
Apologies	Peter Scales	Member representative

1. LPB019 - INTRODUCTORY MATTERS

Submission

The report LPB019, which included the minutes and actions of the meeting held on 29th June 2016, matters arising on 2017 dates & annual planner, and the process of LPB appraisal meetings, was submitted to the LPB.

Discussion

The Chairman welcomed the LPB members, and a special welcome was given to Greg Smith as Group Company Secretary and Skip McMullan as LPFA's shareholder director on the LPP Board. Apologies were received from Peter Scales. No new declarations of interests were received.

The LPB noted the 2017 Annual planner and requested additional space in the planner for a deeper discussion of 2 or 3 topics a year. Members were asked to send suggestions for these topics to the Chairman and Governance Advisor.

Action: All

It was noted that the LPB had performed the majority of its duties in line with the COP14 but the Chair noted the need to review public policy statements annually. Bernadette Jansen offered to provide guidance on communications.

Action: RP/BJ

It was noted that appraisal meetings have been scheduled in October. The Chairman emphasised that these should be seen as an opportunity to give feedback from both directions. The Chair noted that there was no process for

appraising himself, and the Board agreed to discuss a suitable process with the LPFA Managing Director and Governance Advisor offline. **Action: MA**

Jamie Ratcliff commented that the LPB had previously agreed to stagger members' terms, and that some would come up for renewal in March 2017. It was agreed to discuss the process at the next meeting. The LPB noted Charles Angus resignation and the Governance Advisor confirmed that the appointment process to replace him is underway. **Action: RP**

Skip McMullan provided an overview of his current trustee roles and experience. He started by saying that his main concern is to ensure pensioners of the scheme receive their benefits in full. The LPB noted he was unable to serve on the LPP Investments (LPP I) and Administration Boards due to his current trustee roles in LPP and LPFA. He said he had been closely engaged in the establishment of LPP and the underlying strategic projects, including working with the LPFA Managing Director on employer categorisation, and continuous input on infrastructure projects, such as the Joint Venture with Greater Manchester Pension Fund (GLIL). Skip McMullan stated that he thought these could be the source of significant financial benefits in the long run.

It was noted that several proposals for reaching the £25bn target had been submitted to HM Treasury and further information would be provided by Greg Smith under Item 3, Governance update.

It was noted that each pool had flexibility to construct their own governance areas. The LPP chose not to have a Scheme Advisory Board because their LPBs fulfilled the need for representation. The Chairman commented that this was reasonable and queried whether any concerns in the event of a failure by LPP to meet its targets should be channelled through the LPFA Board or brought up directly with LPP by the LPB. It was agreed that the LPP Shareholder Director was a suitable way, and Skip McMullan encouraged the LPB to contact him either directly or via the Chairman if they had concerns. He highlighted that a number of reporting requirements were in place for LPP I to report on the management of its assets to the LPP Board. Skip McMullan confirmed that The LPP Board are able to make any changes as deemed appropriate. The LPB noted that the agreed structure enabled shareholders to make quick and efficient decisions.

The LPB finally noted that Skip McMullan was be happy at any time to provide information to the LPB, to the extent that he was legally able to.

Decision

The LPB:

- [1] **Approved** the minutes of the meeting held on 29th June 2016 as a true and accurate record of the meeting.
- [2] **Considered** and **commented** on the LPB Planner for 2017.
- [3] **Confirmed** the proposed dates for 2017.
- [4] **Noted** the process for LPB Board appraisals
- [5] **Noted** the verbal update from Skip McMullan.

2. LPB020 – GOVERNANCE UPDATE

Submission

The report LPB020, providing the LPB with a draft of the LPFA Pension Fund Annual Report and an update on the Partnership, was submitted to the Local Pension Board.

Discussion

Greg Smith provided an overview on LPP and how the Partnership had developed in the last 5 months. The LPB noted that FCA authorisation of the Authorised Contractual Scheme (ACS) had been received on Friday 9th September. The transition of the assets to the LPP I funds was expected to start on 1st October 2016. The LPB noted that this was the most tax efficient way for pooling equities together.

It was noted that delivering shareholder benefits and expanding the Partnership were the key focuses in the Strategic Business Plan 2016-2019. Greg Smith highlighted that £6m savings per annum were expected to be achieved from lower costs across the equity portfolio. It was noted that the LPP were ahead of other LGPS pools and although other pools were behind, the general enthusiasm for pooling had increased.

The LPB noted that there is an expectation that £500k per annum would be saved on pension administration across all office sites (London, Preston and Hertfordshire) based on accommodation and system efficiency, though there are significant challenges in developing an efficient culture. An effective ICT strategy would be a core component.

Greg Smith reiterated that the LPP constructed a flexible structure so other funds could sit as shareholders with equal weighting, or be part of the expansion on infrastructure under GLIL. The LPB noted that Berkshire intended to pool as a shareholder and bring the Partnership to £13bn.

The LPB noted that the LPP Board had both Executive and Non-Executive Directors and that most LPFA staff had been TUPE-transferred to LPP or LPP I. Compliance and Investment Operations departments have been established as required by the FCA, and the existing Risk department expanded.

Greg Smith commented that under DCLG guidance all LGPS funds should have consistent transparency initiatives when disclosing their cost per member in their annual reports, but that this was not yet in place, and care should be taken when comparing funds stated costs.

He also explained the strategy for growing LPP's ALM and how the Partnership could achieve the £25bn target set by the Government. This included:

- Operator services to other LGPS pools
- Expansion of GLIL - proposed to increase from £1bn to £2.5bn.
- Berkshire to join as a shareholder
- Exploratory discussions underway with other non-LGPS public/quasi-public sector funds.
- Managing investment assets on behalf of other LGPS funds.

He commented that the expansion of LPP could result in additional savings, as the costs would be evenly distributed across all funds. The LPB noted that the LPP and HM Treasury had significant engagement during the process of setting up the Partnership and that positive feedback had been received.

The LPB noted that the integration programme would take approximately 2 years to complete and that work was underway to develop consistent messaging for LPP and its shareholders.

The LPB reviewed the Service Level Agreement (SLA) schedule (Annex 1) between the LPFA and LPP. The Chair suggested the LPB should have the opportunity to scrutinise public policy statements before their approval. Greg Smith informed the LPB that the SLA was a legally binding document and would be difficult to alter it and proposed instead to amend the LPB Terms of Reference. The LPFA Managing

Director informed the LPB that the LPFA's internal audit would be reviewing the SLA and the outcome of the audit work would be shared with the LPB.

Action: MA/RP

The Managing Director presented the draft Pension Funds Annual Report (Annex 2) and informed the LPB that it had not yet been proofread. The Managing Director requested all comments on the annual report to be sent to the Governance Advisor. The LPB suggested that the annual report should be analysed for compliance against CIPFA guidance, and the Managing Director agreed to share the final draft of the Annual Report with the LPB.

Action: RP

Decision

Local Pension Board

- [1] **Noted** the presentation on the LPP Partnership and SLA Schedule (Annex 1)
- [2] **Commented** on the LPFA's Full Pension Fund Annual Report for submission to Board via email.

3. LPB021 COMPLIANCE WITH THE COP14

Submission

The report LPB021, updating the LPB on compliance with the COP14 and training requirements, was submitted for consideration and noting.

Discussion

The Managing Director provided an update on the Internal Audit work against compliance with the COP14. The LPB noted that the majority of the recommendations were completed, with only some outstanding. It was noted that discussions were underway with employers regarding the importance of reporting breaches.

The Chairman commented that the procedure note for the LPB (Annex 3) was not adequate as it stood and suggested that LPB members should engage with the LPB Chairman at the first instance on reporting of any breaches, who would then liaise with the Managing Director. It was agreed that the revised draft would be circulated to the LPB for consideration.

Action: MA/RP

The LPB noted the presentation on Training Platforms and agreed to use the Knowledge Zone facility.

Action: RP

The LPB discussed the training gap analysis provided as Annex 1. The LPB noted that the least known topic as a Board collectively was investments. The Chairman advised that as investments were managed by LPP, the LPB was not directly involved and was therefore not a priority. The Board commented that it would be helpful to have training based around reports or documents which they are expected to read rather than broad topics.

The LPB requested to receive some guidance in advance of reviewing key documents to ensure they address the main areas of are and to provide past trends (over a period of 3 years) on performance reports.

Action: RP

Decision

The LPB

- [1] **Noted** and **identified** additional training needs, and **agreed** for the LPB Chairman to prioritise the training for 2016/17 with the Governance Advisor.

- [2] **Noted** the training platform demonstrations and **agreed** to use the Knowledge Zone.
- [3] **Considered** the first draft of the LPB's procedure note for reporting breaches. Comments would be taken on board before circulating the final draft for approval via email.

4. LPB022 COMMUNICATIONS, MEMBER AND EMPLOYER UPDATE

Submission

The report LPB022, providing the LPB with an update on employer categorisation risks, was submitted to the meeting for noting.

Discussion

The Managing Director informed the LPB of the process for employer categorisation and how the LPP categorised all LPFA employers dependant on the risk they posed to the fund and advised the LPFA Board accordingly. The LPB noted that LPFA tried to strike a balance on the level of contributions and increments within a tolerable range. When a risk was identified, an exit strategy was discussed with the employer.

Charles Angus commented that the process of providing additional security could be an exhaustive process for employers and suggested that the LPFA should provide clear rules outlining what was expected from the employer. **Action: MA**

Decision

The LPB:

- [1] **Noted** the contents of the report.

5. LPB023 FINANCIAL REPORTING

Submission

The report LPB023, which provided the LPB with the financial analysis of LPFA's solvency and cashflow as at 31st July 2016 and Investment performance as at 30th June 2016, was presented to the meeting for noting.

Discussion

The Managing Director presented the financial reports. The LPB suggested that budget and actual expenditure should be presented over consistent periods, preferably year to date, to be meaningful. The Chairman noted that the investment returns over the last 12 months were flat at a time when most assets had risen significantly. The Managing Director said in response, that the LDI hedging strategy would be discussed at the LPFA Board Awayday in September. The outcome of the discussion would be shared at the next LPB meeting.

Action: MA/RP

Decision

The LPB:

- [1] **Noted** the contents of the reports.

LPB024 PERFORMANCE REPORTS

Submission

The report LPB024, which provided the LPB with the LPFA performance for Quarter 1 2016/17 and additional detail on strategic projects and complaints, was presented to the meeting.

Discussion

The LPB noted that some of the targets for responding to members queries were not met due to auto enrolment issues and legislative changes. It was thought that the 'deaths' target was unrealistic and that all targets should be reviewed. The Managing Director emphasised his confidence in the case management system and reassured the LPB that the same staff was processing the data. It was noted that the targets would be reviewed and the LPB would be provided with an explanation of how the targets are set.

Action: RP/MA

The LPB focussed on the MSS registration performance for Q1 and requested an explanation on the reduction of MSS registrations since the last quarter. Sean Brosnan informed the meeting of his recent experience of requesting email addresses from his workplace to encourage those that have not registered online. Several Board members noted that the Annual Statements were not easy to navigate online. The Managing Director confirmed that all ABS's were distributed online unless members specifically opted for a hard copy. The Managing Director thanked the LPB for their feedback and would revert to the Board on the outcome of the issues.

He also requested that any issues that arose prior to the meeting should be communicated to the Managing Director beforehand to give him time to provide a meaningful response at the meeting.

Action: MA

The LPB noted that there had been complaints due to typing errors in the spring newsletter, and the Managing Director assured the LPB that there would not be a repetition.

Decision

Local Pension Board

[1] **Noted** the contents of the reports.

6. AOB

The LPB requested that the Partnership presentation be circulated via email. It was noted that flexible retirement was dependent on the employers policy and process.

The Chairman thanked Charles Angus for his support at LPB meetings and wished him best in his new pastures.

With no further business, the Chairman declared the meeting closed at 12:05.

Signed in draft form for submission to LPFA Board

William Bourne
Local Pension Board Chair

Date: 12th September 2016

Action Points from the Local Pension Board



Meeting	Matters arising	Lead	Due by	Progress
LPB 01.07.16	LPB014 – COMPLIANCE WITH THE COP14 To include the LPB in the reporting of breaches stage and draft a procedure note on the duty of reporting for the LPB.	RP		Email TW and Alex 18.07.16
	Scope the possibilities of hosting a second email address on our contact management systems to help/ensure communications are delivered to members/employers no matter what.	RP		Emailed Geoff and Martin 18.07.16
	Provide a demonstration of the Training tools available 1) Knowledge Zone 2) E-Learning.	RP		Emailed WL 18.07.16
	Add training as a key item for the next meeting, and provide a gap analysis to identify the training required for the Board.	RP		Complete.
	Schedule a September meeting to be in line with the Annual Report approval process.	RP		Complete.
	Arrange for LPB meetings for 2017 – quarterly.	RP		Not due yet.
	LPB015 – GOVERNANCE UPDATE Circulate an update on cost savings and process on FCA operator at the next meeting.	MA		Next meeting add to agenda, invite Greg.
	Share the draft LGPS government consultation response to the LPB.	MA/RP		Complete?
	Circulate the SLA and reporting structure to the LPB at the next meeting, including legalities and resources	MA		Next meeting add to agenda, invite Greg.
	Amend the LPB Annual Report [change 'Scheme since 1972' to 'Fund in recent years'].	RP		Complete
	LPB016 - COMMS, EMPLOYERS AND MEMBERS Update LPB on Employer categorisation risks at the next meeting.	RP/MA		Email TW and Alex 18.07.16
	Email the ISO Risk Register to Frank Smith for an informal review. An update would be provided at the next meeting.	RP/FS		Emails Uju 18.07.16
	Inform LPB of the Employer Fund Forum Date, venue, agenda etc.	RP		17 th November, 169 Union Street, agenda yet TBC
	Inform LPP of your attendance of the Employer or Member Forum.	ALL		
LPB017 FINANCIAL REPORTING Query the limit within the Investment Report, and request an explanation on how these correspond with the regulations.	RP		Emailed Tricia 18.07.16	
To clarify with the Investment Team whether the LPP plan to borrow any cash in result of the EU referendum vote.	MA/RP		Emailed Tricia 18.07.16	
LPB 10.03.16	To circulate the staff newsletter regarding Executives	RP	31 Jun 16	RP to circulate following the LPB meeting on 29 th June.

	To provide information on the differences between LPFA and LCPF. Provide LCPF LPB minutes. To share future cost savings.	WB RP RP	31 August 16 31 Jun 16 Nov 16	Not due yet. RP to circulate following the LPB meeting 29 th June. Not due yet.
LPB 06.07.15	LP001 - INTRODUCTORY MATTERS Improve the communication report to improve communications with members, focus on auto enrolment, NI changes, ABS, transferring out and improving the understanding of liabilities. Look into benchmarking/comparing other pension funds to help with KPI's. LP002 - PERFORMANCE SUMMARY To include a breakdown of Cost per Member i.e. Administration and Investment.	MA JC RP		In progress and forms part of the engagement plan. Update has been provided in Paper LPB016. In progress for 2015/16 accounts.