

Apologies

No apologies have been received.

Declarations of Interest

None were received prior to the meeting.

Minutes of the previous meeting

The minutes of PART 1 of the meeting held on 15th December 2011 are attached for formal approval.

Matters arising

- All matters are contained within the cover reports

Governance issues

The formal approval of minutes is required under Standing Order 8.

The dates of all Board and Committee meetings are posted on the corporate website along with the agenda for each meeting.

Board meetings are held in public.

Decision

That the minutes of the meeting on 15th December 2011 be agreed and signed as a true and accurate record.

DRAFT

Present

Anthony Mayer (Chairman)	Mike Taylor (Chief Executive)
Michael Deakin (Deputy Chairman)	Mike Allen (Director of Pensions)
Angela Pober	Susan Martin (Deputy Chief Executive)
Sarah Smart	Vanessa James (Director of Investments)
Mike O'Donnell	Adrian Bloomfield (Director of Finance)
Stephen Alambritis	
Anthony Dalwood	Minutes and action points taken by:
Bill Roots	Greg Smith (Board Secretary)
Icki Iqbal	Emily Sanders (Communications Officer)

1. INTRODUCTORY MATTERS

There were no declarations of personal or prejudicial interests in any matter to be considered at the meeting.

Apologies were received from Sir Merrick Cockell and Michael Cassidy.

Submission

The Executive report PF 1448 attaching the minutes and action points of Part 1 of the meeting held on 6th October 2011 was submitted to the meeting for formal approval.

Discussion

The Chairman congratulated LPFA officers on winning the LGC Quality of Service Award for the second year running. It highlighted that providing a quality service to our customers was the primary focus. LPFA was also shortlisted in the Corporate Governance and Fund of the Year categories.

There were no changes to the minutes of the previous meeting.

Action points were considered. Mike Taylor noted that any attempt to assess the impact of a combined fund would have to follow a decision on employee contribution increases and the level of opt outs. An Investment Committee away-day is likely to take place in February 2012 to assess this possibility.

Work had progressed on LPFA's Fraud Control Framework and the process around changes to supplier details had been tightened following discussion with Board Members.

Board were informed of recent discussions with the Mayor's office over the pensioner sub-fund deficit where there was support from the GLA to include the deficit in the 2015 Spending Review. Mike O'Donnell noted that this might be brought forward slightly and Officers should be prepared for this. The GLA were pleased with LPFA's role in the debate over the future of the LGPS and the push for pan-London working.

Decision

- [1] The minutes of PART 1 of the meeting held on 6th October 2011 were agreed and signed as a true and accurate record.**

2a. PERFORMANCE AND ADMINISTRATION COMMITTEE

Submission

The Executive report PF 1449 considering the draft minutes of the meeting held on 8th November 2011 and to receive the 2nd quarter review for information was presented.

Discussion

The Chairman noted Jeff Houston's departure to the Local Government Association and thanked him for his contribution to LPFA. LPFA's business strategy will now be reviewed as part of the Awayday on 5th and 6th March 2012.

Board Members noted the position of a small number of employers in financial difficulty without a guarantor in place. A further report on key employers at risk will be issued to the Board meeting in February 2012.

Mid Year Performance against key performance indicators was reviewed. Sarah Smart questioned the processes behind the customer satisfaction indicator and Officers stated that these will be reviewed in 2012. LPFA is investigating becoming a member of the Institute of Customer Service during 2012.

Decision

- [1] Members agreed the actions set out in the draft minutes of the Committee meeting of 8th November 2011.**

2b. INVESTMENT COMMITTEE - SUMMARY

Submission

The Executive report PF 1450 considering a high level summary of the meeting held on 1st December 2011 was submitted.

Discussion

Michael Deakin briefed the Board on Committee's decision to accept equities as collateral for stock lending as a means of increasing revenue. Parameters had been put in place by JP Morgan including not accepting JP Morgan subsidiaries or associates as collateral.

The risks of the proposal were discussed, the main one being increased exposure to JP Morgan and this will need to be monitored carefully. JP Morgan will also indemnify any losses associated with this practice. Angela Pober felt that Board Member training on counter party risks was required and therefore abstained from the decision.

Committee reviewed the Fund's equity exposure limit that had been temporarily suspended by Board. This suspension had been put in place to avoid the forced selling of assets during a period of higher than expected exposure to private equity. The economic downturn had meant that the private equity programme had been extended by around 2 years. Board were asked to extend the waiver for two years subject to review at the Investment Strategy Awayday in February 2012.

Bill Roots felt that a cap should be applied and the suspension should not be open ended.

Decision

- [1] Members agreed the decisions and actions set out in the draft minutes of the meeting held on 1st December 2011. Angela Pober abstained from the decision to use equity for stock lending.**
- [2] Members agreed to extend the waiver for up to 2 years in relation to the upper limit of equity exposure, subject to revision after the Investment Strategy review in 2012.**

2c. AUDIT COMMITTEE

Submission

The Executive report PF 1451 considering the draft minutes and action points of the meeting held on the 30th November 2011 was submitted.

Discussion

The report was introduced by Sarah Smart who highlighted that Officers will now be providing more information if there is a budget deficit on any of the third party agency contracts. This would include a longer term view of the profitability of the contracts and would form part of the financial monitoring report.

Committee members also noted a degree of duplication of reporting between Performance and Administration Committee and Audit Committee and this will be reviewed prior to the appointment of the Commercial Director. Bill Roots confirmed that projection of performance to the end of the contract was vital.

LPFA's 2012-13 draft budget had also been reviewed prior to issue to Board. Officers had been requested to include a medium term financial strategy but the split between LPFA fund and Commercial Services was a welcome step forward.

Decision

- [1] Members agreed the decisions and actions set out in the draft minutes of the meeting held on 30th November 2011.**
- [2] Members approved the request for additional budget following a discussion in confidence in Part 2.**

3. BOARD PERFORMANCE EVALUATION 2011

Submission

The Executive report PF 1452 considering an action plan following the results of the Board Performance Evaluation 2011 was submitted.

Discussion

The Chairman began by noting that most of the issues would be discussed at the Board Awayday in March 2012. There were however two key actions that Board Members should be aware of.

Board Member training sessions will now take place for 30 minutes as part of the Board meeting and start at 10am.

In addition a Board Member only meeting will be included as a trial during the Board Awayday which the Chairman will facilitate. Members were asked to email the Chairman in advance of topics to consider.

Decision

[1] Members agreed the Board Performance Evaluation 2011 action plan.

4. DRAFT BUDGET 2012-13

Submission

The Executive report PF 1453 considering the draft budget for 2012-13 was submitted for approval prior to submission to the Mayor.

Discussion

Board Members discussed LPFA's budget reduction in the context of local authority reductions and it was confirmed that LPFA had adhered to the GLA's budget guidance. Adrian Bloomfield provided information on the process that had been followed in preparation of the budget, including highlighting growth and savings. The contribution to the pension fund from agency contracts was discussed and following Audit Committee's recommendation a medium term financial plan had been included.

Bill Roots felt that reference should be made to future savings and there was also a suggestion to look at savings that could be made from restructuring investment manager fees. It was felt that a medium term view of savings would also be useful.

The Chairman agreed that discussion at the Board Awayday in March 2012 should include a review of pension fund costs and also possibilities for increasing income.

Decision

[1] Members approved the draft budget for submission to the Mayor for comment, subject to inclusion of a reference to future savings being identified.

5. DRAFT STRATEGIC POLICY STATEMENT 2012-15

Submission

The Executive report PF 1454 presenting the draft statement of plans and objectives for 2012-15 prior to submission to the Mayor was submitted.

Discussion

The Chairman noted that LPFA is now moving into the second year of a 3 year programme to prepare the organisation for future challenges. The strategic direction continues although remains flexible to any changes flowing from the Board Awayday.

Board discussed whether a 3 year rolling plan would be a better approach and this would be considered at the Awayday. In addition Icki Iqbal queried whether there were too many performance indicators although members of Performance and Administration Committee noted that it provided a degree of context to performance.

Decision

[1] Members approved the draft Strategic Policy Statement which will be incorporated with the Budget Statement and issued to the Mayor prior to 31st December 2011.

6. LGPS RESPONSE TO STATUTORY CONSULTATION

Submission

The Executive report PF 1455 reporting on the consultation currently underway on employee contribution rates and the proposals for the new scheme cost ceilings and reference scheme was submitted.

Discussion

Mike Allen began by informing Board of the consultation underway to raise £900m of additional income from the LGPS – primarily by increases to employee contribution rates and accrual rates. A more generous offer had been made to the Unions and negotiations were underway. A two stage process to raise the income had been suggested by Government, while the Unions were pushing to implement long term scheme reform earlier which might facilitate the changes.

An update was provided by Mike Taylor who was optimistic that the required savings would be achieved via a one step process but that broad agreement would be required before Christmas. Between January and April 2012 negotiation would then take place over the key elements of scheme design such as accrual rates. If regulations were produced by 2013 the new scheme would be in place by 2014.

The Chairman confirmed that Officers were not taking a political stance but recognising that the LGPS did not need an additional 3% on contribution increases. Board Members were concerned that the level of civil service employee contributions were much lower than those in the LGPS. In addition there was concern that the reference scheme suggested by Government did not consider deficit payments.

There was agreement that Mike Taylor could respond to press enquiries providing a political stance was not adopted. Board Members would be kept informed of developments as they arose.

Decision

- [1] Members noted the revised cost ceilings and reference scheme proposed by Government
- [2] Members agreed that LPFA's response to the relevant consultations should seek to effect relevant changes to the scheme at one date in 2014, with regulations in place by March 2013. Furthermore, such changes should mitigate any risk of large scale opt-outs from the pension fund by minimising the level of increased contributions payable by members.
- [3] Members agreed that in absence of any revised proposals being received that LPFA continue to support the initial proposal on increased contributions put forward by LGA.

ANY OTHER BUSINESS

No training needs were identified.

The Board Awayday was confirmed for 5th and 6th March 2012 at the Petersham Hotel, Richmond.

Part 1 minutes signed as a true and accurate record

Anthony Mayer, Chairman 2nd February 2012

Action	Lead	Date	Status
PF 1449 Performance and Administration Committee minutes			
Report to Board on employer risk especially those without guarantees in place and action being taken.	MA	2 nd Feb 12	Complete PF 1467
Liaise with Sarah Smart over discussions with Department for Education. There may be other employers impacted and this could add additional weight.	MA	29 th Feb 12	
Consider an alternative method to report confidential items	GS	28 th March 12	
Report back on customer care initiatives	GS	2 nd July 12	
PF 1450 Investment Committee Minutes			
Add counter party risks to the Board Member training programme	GS	7 th Jan 2012	Complete
PF 1452 Board Governance			
Email chairman with topics for the Board Member only discussion at the Awayday	Board Members	28 th Feb 2012	
PF 1453 Draft Budget			
Add a comment referencing future savings that are to be made	AB	31 st Dec 2011	Complete
Liaise with Sarah Smart over savings in investment management fees	VJ	16 th Feb 2011	
Consider medium term view of savings and possibly pick this up at the Awayday	AB	5 th and 6 th March	
PF 1454 Draft Strategic Policy Statement			
Consider a rolling three year plan as part of the Awayday	SM	5 th and 6 th March	Complete
Make amendments on page 9 and 20	GS	31 st Dec 2011	
Rearrange the order of the indicators so that the fund performance is closer to the front	GS	31 st Dec 2011	
PF 1455 LGPS Response to Consultation			
Clarify whether the cost ceiling in the reference scheme includes deficit payments	MT	6 th Jan 12	Complete – Deficit payments are not included although the

Keep Board Members informed of developments over Christmas	GS	31 st Dec 12	principles of the new scheme make provision for individual employer circumstances Complete
PF 1456 Part 2 Introductory Matters Consider risks associated with third party activities as part of the Awayday	SM	5 th and 6 th March 12	
Verbal update on Commercial Director Amend the Constitutional Document to clarify the procedure around Principal Officer appointments.	GS	2 nd Feb 2012	Complete

Board Meeting Action points

1st July 2011

Action	Lead	Date	Status
PF 1439 Combining the Fund <ul style="list-style-type: none"> Carry out scenario analysis over a 20 year plan and report to Investment Committee Move employers to the pensioner sub-fund if they have paid cessation valuations Continue to liaise with CLG over a solution and ensure that any solution is backed by legislation. 	MT	16 th September 2011	Will be discussed at the Investment Committee strategy awayday 16 th Feb 2012

Board Meeting Action points

6th April 2011

Action	Lead	Date	Status
PF 1425 Monitoring of external partners			
Ensure that all investment advisors receive an annual appraisal	MD	6 th Oct 2011	In progress via Investment Committee. New date of 31 st Jan 2012
Add scale of payments, additional suppliers, and Peter Derrick to the table and report back in 15 months	GS	July 2012	