



Local Pension Board (LPB)

**Minutes of the meeting
held on 29th June 2016, 10:00am
Room G.04, 169 Union Street, London, SE1 0LL**

LPB Members	William Bourne Omolayo Sokoya Simon Steptoe Peter Scales 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 Loretto Leavy Sarah Morris	LPFA Managing Director LPP Investment Company Secretary LPP Senior Project Actuary (Training only)
Minutes taken by	Rebecca Pitt	LPP Governance Advisor
Apologies	Jamie Ratcliff	Member representative

The Local Pension Board was presented with a bite size training presentation on Financial Solvency Reporting. Sarah Morris, LPP Senior Project Actuary, provided the LPB with explanations on the Net Asset Value and Asset Mix, Asset Bridge, Balance Sheet Modelling; Triennial Valuation Basis and Swaps Flat Basis, and Risk Sensitivities. The Solvency Report was circulated to the LPB every month and published on the LPFA website.

The meeting commenced at 10.30am

1. LPB013 - INTRODUCTORY MATTERS

Submission

The report LPB013, reporting the minutes and actions of the meeting held on 9th December 2016, informal minutes on 10th March 2016, and feedback from the LPFA Board regarding the LPB annual review, was submitted to the Local Pension Board.

Discussion

The Chair welcomed the Local Pension Board (LPB) members and provided a brief overview of the agenda. Apologies were received from Jamie Ratcliff. No new declarations of interests were received.

The Committee reviewed and approved the minutes and actions of the meeting on

9th December 2015 and 10th March 2016. It was noted that having minutes produced from the teleconference meeting on 10th March 2016 was useful.

The Chair gave feedback to the LPB on his attendance at previous LPFA Board meeting in May to present a report on the LPB's activities for the year. The LPB noted that a friendly reception was received; the LPFA Chairman was complimentary and that the LPFA Board acknowledged their hard work, skills and knowledge. Clarification of reports, appraisals and frequency of LPB meetings was also raised at the meeting. The LPB noted that their individual 360 appraisals would take place in the upcoming months and whether this process would add any value over long-term. The Chair commented to the LPB Board that at present, he would not recommend a merger of the LPFA and LCPF Local Pension Boards, but it should be revisited in 3 or 4 years time. It was noted that meeting between the two LPBs should be encouraged on an individual basis to exchange views and experiences. The Managing Director informed the LPB that a Shareholder Forum (AGM) would be arranged and suggested that at least one LPB representative from each LPB Board should be invited to attend.

Decision

Local Pension Board:

- [1] Noted the contents of the report.**
- [2] Approved the minutes of the meeting and action points from the meeting on 9th December 2015 and the informal minutes from the meeting held on 10th March 2016.**

2. LPB014 – COMPLIANCE WITH THE COP14

Submission

The report LPB014, providing the LPB with an update on the compliance of the COP14, and progress against the COP14 Internal Audit, was submitted to the Local Pension Board.

Discussion

The LPFA Managing Director provided an overview on the compliance with the Code of Practice 14. The LPB noted that the Internal Auditors measured the progress in May 2015 and suggested various recommendations on the compliance of Local Pension Board. It was highlighted that sufficient controls and processes are in place, including an internal breach procedure for staff and management.

The LPFA Managing Director requested feedback from the LPB, following last year's process on Annual Benefits Statements (ABS). The LPB noted the ABS's would be treated as priority. It was emphasised that the LPFA Employer Services Team had been very helpful in the lead up to the process. The LPB noted that the LCPF and LPFA have very different approaches in engaging with Employers but are continuing to learn from one another to improve the services.

The LPB noted that delays could occur because third parties involved did not realise the importance of providing required data on time. The LPFA Managing Director reassured the LPB that they had experienced instances like this before and would be able to assist employers. It was also noted that any complications are dealt with

quickly and efficiently to ensure the process is smooth.

The Managing Director informed the LPB that the LPFA currently holds approximately 60% of email addresses and requests up to date contact details on a regular basis. The Governance Advisor highlighted that a note on preferred communication method was included in the Year End Review Report. The LPB was supportive of the drive towards electronic communications. It was noted that the LPFA should look into securing a second email address as a backup to ensure members and employers are receiving all communications if possible. The LPB agreed that the 2nd year of sending Annual Benefits Statements would be better controlled. The Managing Director thanked the LPB for their feedback. Action: **RP**

The Managing Director informed the LPB that Employers were made aware of The Pensions Regulators COP14 requirements, and that late delivery of data could result in a potential breach. It was noted that this was covered in the Service Level Agreement between the LPFA and each employer are monitored regularly.

The Managing Director highlighted the progress on some of the key recommendations from the Internal Audit Report.

The LPB discussed COP 14 Trustee knowledge and Understanding (TKU) requirements, and the potential training tools available. The Board asked for guidance on which Pension Regulator modules should be treated as priority, and it was agreed that should be driven by individual requirements. It was noted that the seven public service modules are a useful resource, but deal with issues at a high level, and more training by means of short training sessions ahead of each Board meeting would be more helpful to put them into the context of the LPFA. A demonstration of the tools would be made available to the LPB at the next meeting. It was noted that training would be a key agenda item for the next meeting and the LPB members would identify their individual training needs. Further consideration would be given to how the toolkit could be complemented with specific LPFA information. Any feedback on specific areas would be welcome from the LPB. Action: **RP**

The LPB noted that the appointment process and conflicts register had been published on the LPFA website and the IDRPs Control Procedure is planned to be complete at the end of June 2016.

The LPB discussed the Internal Breach Procedure for Staff and Management. LPB requested to have a process for how the LPB would report any breaches to The Pensions Regulator and a procedure note on the duty of reporting for the LPB. Action: **RP**

The Investment Company Secretary provided an overview of frequency of meetings to the LPB. It was emphasised that the Terms of Reference mapped against the delivery of content and that there are two items that had not been discussed at previous meetings which had been included in the November agenda plan. The LPB agreed to have quarterly meetings in person. A September meeting would be set up which would review the final LPFA Pension Fund Annual Report approval process. Action: **RP**

Decision

Local Pension Board

- [1] **Noted the content of the report.**
- [2] **Noted and commented on the progress made against the COP 14 Internal audit report recommendations.**
- [3] **Discussed the LPB TKU requirements and appropriate training tools.**
- [4] **Agreed to hold LPB Board meetings quarterly.**

3. LPB015 GOVERNANCE UPDATE

Submission

The report LPB015, updating the Local Pension Board on the LPP Partnership and wider LGPS Pooling. The LPB Annual Report was also submitted for approval to the meeting.

Discussion

The Chair provided an update on the latest information on the governments wider pooling. He noted that no pool currently meets all four of the Government's set criteria, and the LPP meets all criteria apart from one (size of pool). The Managing Director clarified that the preferred route was FCA regulation rather than pursuing a Joint committee due to stronger governance, financial arrangements and risks associated with the structure. It was noted that costs of £32m over 5 years would be saved due to investments savings in the LPFA. The LPB requested an update on cost savings and progress on the FCA operator at the next meeting. Action: **MA**

The Managing Director provided an update on the LPP partnership since it went live on 8th April 2016. It was noted that the July LPP Board would be focussing on the government consultation response which detailed a 2 year plan and the journey of LPP. This would be shared with LPB before submission. It was noted that the LPFA had received positive messages from the CLG and are still working with other pension funds to meet the £25bn criteria. Action: **MA/RP**

The Chair requested clarity on the structure of information and reporting for the LPB. The Managing Director clarified that all requirements, including legalities and resources were contained within the service level agreement (SLA). The LPB requested to review the SLA at the next meeting. It was noted that all assets are managed by LPP staff but are held in LPFA's name. The LPB noted that this information is also in the SLA, and an Asset Management Agreement is in place. Action: **MA**

The LPB then discussed and approved the Local Pension Board Annual Report subject to one minor amendment [change 'Scheme since 1972' to 'Fund in recent years']. The Managing Director thanked the LPB members for their comments on all of the individual narrative components for the Annual Report, which has been submitted to the Board. Action: **RP**

Decision

Local Pension Board

- [1] Noted the verbal update on the LPP Partnership and LGPS Update.**
- [2] Approved the LPBs annual Report narratives for the inclusion of the LPFA Pension Fund Annual Report 2015/16.**
- [3] Noted the statements to be included in the Annual Report sent via email.**

4. LPB016 COMMUNICATIONS, MEMBER AND EMPLOYER UPDATE

Submission

The report LPB016, providing the LPB with an update on various topics on member and employer communication, including the spring newsletter, was presented to the meeting for noting.

Discussion

The Managing Director provided a brief update on the Triennial Valuation 2016. The LPB noted that an assumptions paper was prepared for the LPFA Board meeting in July. It was noted that employers had completed the initial covenant categorisation. An update on the categorisations would be shared at the next meeting. Action: **RP/MA**

The LPB noted the key financial risks outlined in the report. The Managing Director informed the LPB that the LPFA risk register is undergoing a review and additional risks associated with the partnership would be added and reported at the next meeting. The Governance Advisor provided some background information on LPFA's ISO arrangements and the procedure on data protection breaches. The LPB noted that the LPFA uses the ICO guidelines in reporting breaches, with the consequence that all breaches were reported to the Audit and Risk Committee, the LPFA Board and LPB. Frank Smith requested an informal view of the ISO Risk Register and would report back his views at the next meeting about whether an explicit item was needed. Action: **FS/RP**

The LPB noted the update on auto enrolment and the key communications planned for member and employers of the fund. It was noted that the LPFA does not receive feedback on the spring newsletter from members directly however it does generate queries and remarks. The Managing Director confirmed that the Member Forum normally presents an opportunity for members to provide customer feedback. The Chair requested confirmation on the Employer Forum date, agenda and venue, and whether another LPB representative could attend the member forum on account of his unavailability. Availability would be sent to the Governance Advisor. Sean Brosnan announced that he had provided an opportunity to speak at a conference about the LPB. The LPB agreed that this would be a good engagement tool and a way to discuss best practice.

Action: **AII/RP**

The Chair made the suggestion on behalf of Jamie Ratcliff that the LPB should set up a sub-committee to discuss employer communication issues. The LPB noted this proposal but felt the timings would be difficult, as it would add an additional

element into the sign-off process. Informal feedback would always be welcome.

Decision

Local Pension Board

- [1] Noted the content of the report and provided feedback on the Spring Newsletter.**

5. LPB017 FINANCIAL REPORTING

Submission

The report LPB017, the Local Pension Board on the financial analysis of LPFA's solvency, cashflow and investment performance as at 30 April 2016, was presented to the meeting for noting.

Discussion

The Managing Director presented the financial report to the meeting. The LPB announced that they found the mornings session on Solvency reporting helpful. It was noted that the financial reports are still being developed.

Peter Scales queried the limits on the LGPS Compliance Table on the investment Report (page 7) and requested additional clarification on these limits and how it corresponds with the regulations. Action: **RP**

The Chair also wished to seek comfort from the investment team on whether the LPFA had enough cash for any margin call on the short dollar currency hedge following the sharp fall in sterling. The Managing Director confirmed that the Investment Team are aware and do not have plan or need to borrow any cash; this would be confirmed. Action: **MA**

Decision

Local Pension Board

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

LPB018 PERFORMANCE REPORTS

Submission

The report LPB018, provided the LPB with the LPFA performance for Quarter 3 and 4, including more detail on strategic projects, data protection incidents and treasury breaches, was presented to the meeting.

Discussion

The Managing Director outlined the administration performance of the LPFA, and strategic projects for 2015/16. The Managing Director emphasised that 2015/16 had been a difficult year but managed to maintain the target of 95%. It was noted that treasury breaches was reported to the Audit and Risk Committee and to the

LPFA Board and this included the actions taken to address this and to mitigate the risk of further reviews.

The Managing Director provided a summary on the snapshot of the complaints and explained the process on elapsed cases. The LPB noted the ISO and data protection incidents for quarter 3 and 4, and the governance advisor explained the definition of a physical breach. The LPB noted that the responsibility for data rested with the LPFA (and Mike Allen as MD of LPFA), however this was managed and delivered by the LPP.

Decision

Local Pension Board

[1] Noted the contents of the reports.

6. AOB

The Investment Company Secretary reassured the LPB Board that they are covered with insurance but the team would revert back with formal confirmation. The Chair announced the Investment Company Secretary's departure from the LPFA and thanked her for the support over the last few meetings. The new Head of Governance, Silvana Glibota-Vigo, had taken office that morning.

With no further business, the Chair declared the meeting closed at 12:30.

Signed in draft form for submission to LPFA Board

William Bourne
Local Pension Board Chair

Date: 29th June 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		
	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		
	Provide a demonstration of the Training tools available 1) Knowledge Zone 2) E-Learning.	RP		
	Add training as a key item for the next meeting, and provide a gap analysis to identify the training required for the Board.	RP		
	Reschedule the November Board Meeting to September meeting to be in line with the Annual Report approval process.	RP		
	Arrange for LPB meetings for 2017 – quarterly.	RP		
	LPB015 – GOVERNANCE UPDATE Circulate an update on cost savings and process on FCA operator at the next meeting.	MA		
	Share the draft LGPS government consultation response to the LPB.	MA/RP		
	Circulate the SLA and reporting structure to the LPB at the next meeting, including legalities and resources	MA		
	Amend the LPB Annual Report [change 'Scheme since 1972' to 'Fund in recent years'].	RP		
	LPB016 - COMMS, EMPLOYERS AND MEMBERS Update LPB on Employer categorisation risks at the next meeting.	RP/MA		
	Email the ISO Risk Register to Frank Smith for an informal review. An update would be provided at the next meeting.	RP/FS		
	Inform LPB of the Employer Fund Forum Date, venue, agenda etc.	RP		
	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	RP		

	<p>correspond with the regulations.</p> <p>To clarify with the Investment Team whether the LPP plan to borrow any cash in result of the EU referendum vote.</p>	MA/RP		
LPB 10.03.16	<p>To circulate the staff newsletter regarding Executives</p> <p>To provide information on the differences between LPFA and LCPF.</p> <p>Provide LCPF LPB minutes.</p> <p>To share future cost savings.</p>	<p>RP</p> <p>WB</p> <p>RP</p> <p>RP</p>	<p>31 Jun 16</p> <p>31 August 16</p> <p>31 Jun 16</p> <p>Nov 16</p>	<p>RP to circulate following the LPB meeting on 29th June.</p> <p>Not due yet.</p> <p>RP to circulate following the LPB meeting 29th June.</p> <p>Not due yet.</p>
LPB 06.07.15	<p>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.</p> <p>Look into benchmarking/comparing other pension funds to help with KPI's.</p> <p>LP002 – PERFORMANCE SUMMARY To include a breakdown of Cost per Member i.e. Administration and Investment.</p>	<p>MA</p> <p>JC</p> <p>RP</p>		<p>In progress and forms part of the engagement plan.</p> <p>Update has been provided in Paper LPB016.</p> <p>In progress for 2015/16 accounts.</p>