

LOCAL PENSION BOARDS – 2 YEARS ON

1. On 28th June I attended a one-day conference organised by CIPFA and the actuary company Barnett Waddingham to consider progress with LGPS Pension Boards since they were established 2 years ago. It was a very useful event and exceeded my expectations. It was conducted on the basis of Chatham House Rules, but certain themes and issues emerged that I believe should be brought to this Board to consider.
2. Insurance for Board Members was discussed at the seminar. The legal position is not fully clear, but the LGA obtained an opinion which concluded that because Pension Boards are not S 101 Committees, they fall outside the usual insurance arrangements in place for local authority Members and officers. I am aware that a number of local authorities have put in place separate insurance for their Pension Board. I order that there should be no doubt over insurance cover it is my firm view that it should be put in place in Tower Hamlets. I have already raised this with Council officers.
3. There was a presentation from the Pensions Regulator who updated the delegates on a number of issues. Most of what he said is based on the recently issued Scheme Governance Survey that we have elsewhere on this agenda so I will not repeat all the points made here. Record keeping and Risk management are 2 areas where the Regulator believes all Boards should pay particular attention. He also commented on the requirement for Scheme managers, Board members, employers and administrators to report breaches in the law. Any legal breaches should be reported to the Board as a matter of policy, even though some of these may be low level in nature.
4. A DCLG Policy officer presented an update to the delegates. He was a recent appointment so did not have a long history of dealing with LGPS issues. He commented on the strong working relationship with the LGPS Scheme Advisory Board and the recently launched Transparency Code to help Funds improve the understanding of their investment costs. Pension Boards should take a keen interest in this in the future. An actuarial report on the New Fair Deal and the HM Treasury cost cap of 15.3% is expected in spring 2018.
5. Concern was raised about the governance of Investment Pools and how Boards will be able to scrutinise these in future. This is an area

where we have already raised concerns and in my view should continue to do so until the position is clear.

6. The Pensions Ombudsman presented on their role and working with the LGPS. The ombudsman is independent and impartial and makes decisions that are final and binding. The number of LGPS complaints are tiny in proportion to the numbers of beneficiaries in the scheme. Last year there were only 198 in total of which 12% were upheld. We should receive details of any cases considered by the Ombudsman in connection with LBTH.
7. The importance of Cyber security was discussed and a number of issues raised that were new to me as well as most other delegates. The presentation focussed on the requirements of EU regulations and legal framework that becomes operative in May 2018. The penalties for non-compliance are significantly higher than existing arrangements. The data controller must be able to demonstrate to the Supervising Authority on request, inter alia, what is collected, how it is collected, stored and safe guarded. A privacy impact assessment must be put in place. Under these new regulations the data processor as well as the data controller will have a direct liability. The Board should ask for a report on the implications and action being taken to implement the new regulations.
8. There followed an update from the Chair of the Scheme Advisory Board, Cllr Roger Phillips. The main issue raised concerns the new voluntary Cost Transparency Code for Asset Managers. At the time of the meeting 7 managers had signed up to the new Code, although since then I understand others are in the process of becoming signatories. The 7 managers are: Baillie Gifford, Investec, Legal and General, Majadie, Mondrian, Montanaro and Capital Group. The SAB recommend that Pension Boards ask for confirmation from the Pension Fund Investment Committee that all managers have been asked to sign the new Code. My view is that we should agree this and ask for feedback if managers have or have not signed up for the new Code.
9. At the end of the day there was a concluding debate amongst delegates. The main issues for Board agendas going forward were: Agreement to the new Cost Transparency Code; the issues raised by the new Cyber Security regulations; Governance of Pools; and Pension Board and Investment Committee meetings to run concurrently (this is already in place in LBTH).

10. A follow up half day seminar is being held in London on 6th November 2017 and the next annual event in London on 27 June 2018. I would encourage Board Members to attend if they are able.

John Jones

Independent Chair Tower Hamlets Pension Board

21st July 2017