



**Open Report on behalf of Andrew Crookham, Deputy Chief Executive & Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Board on Fund matters for the quarter ending 31 December 2023 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update
5. Regulatory Update
6. Committee Paper Comments

**Recommendation(s):**

That the Board consider and discuss the report and agree whether any action or additional information is required.

**Background**

**1. TPR Checklist Dashboard and Code of Practice**

- 1.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at appendix A. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.
- 1.2 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding – Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

*Amber – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion certificate to the Head of Pensions. However, there has been some turnover of members on the Committee who all have a period of six months to complete their training. Two members were due to have completed it before December, but certificates have yet to be received, and one member still has until June to meet the completion deadline.*

F1 – Maintaining Accurate Member Data – Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

*Amber – Scheme member records are maintained by WYPF. Much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submissions and employer training are improving data accuracy, however there are a number of historical data issues from the previous administrator. The mass correction of these data issues has been investigated, and it has been found that it is not cost effective to amend, and as they do not impact the benefit entitlement of members, these are rectified on an individual basis as and when a member has an event.*

F5 - Maintaining Accurate Member Data – Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?

*Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.*

H7 - Maintaining Contributions – Is basic scheme information provided to all new and prospective members within the required timescales?

*Amber - New starter information is issued by WYPF, **when they have been notified by employers**. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme. The monthly data returns and employer training are improving this process.*

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

*Remaining Amber - Training is a standing item on the Pension Board agenda and opportunities are shared with the Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.*

## **2. Breaches Reporting - update**

2.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – there have been some late employers over the quarter, but nothing of significance that requires reporting to TPR. An annual paper on employer monitoring is taken to the January meeting of this Committee.

## **3. Risk Register Update**

3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee each October to be approved. There have been no changes to the risk register in this quarter.

## **4. Asset Pooling Update**

### **Sub Funds**

- 4.1 Work has continued with the development of the real estate funds, with the next transition for Lincolnshire expected to be into the Core Global Property fund, which launched in December. This transition will be managed over a period of time, as cash is invested and redemptions are received from existing overseas property funds.
- 4.2 Work is underway on the completion of the UK Property offerings, and it is expected that a paper will be brought to the June Pensions Committee to detail the proposals for the Lincolnshire Fund's investment in Border to Coast's UK Property funds.
- 4.3 Officers are working with Border to Coast on a potential multi-factor global equity fund, that would offer a similar solution to the current investment with LGIM, but would potentially offer a better net of fee performance, and would also meet the pooling requirements. Proposals on this will be brought to a future meeting of the Pensions Committee.
- 4.4 Since the last Board meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, UK opportunities, responsible investment, multi-factor equities and TCFD reporting.

### **Joint Committee Meetings**

- 4.5 The next meeting of the Joint Committee is being held on 26 March and papers will be shared with this Committee once they become available. Any questions or comments on the papers should be directed to Cllr Strenghiel, Chairman of the Pensions Committee, who can raise them at the meeting.

### **Shareholder Matters**

- 4.6 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources and fulfils the role as set out in the Shareholder Agreement, which was recently updated following review and approved by Full Council in February 2023.
- 4.7 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.
- 4.8 There has been one shareholder resolution since the last Committee meeting, which all partner funds approved:
- Approving the Border to Coast Strategic Plan for 2024-27

## **5 Regulatory Update**

- 5.1 The Economic Activities of Public Bodies (Overseas Matters) Bill cleared the House of Commons and had its second reading in the House of Lords on 20 February 2024, and is now approaching the final stages of approval. The Bill covers both procurement and investment decisions and seeks to prohibit certain actions by public authorities. There is the potential this could result in the risk of legal challenge to LGPS funds, so when it becomes law, LGPS funds will need to ensure both their investment decisions, and the governance process leading to them, take account of the provisions of the Bill.
- 5.2 The Bill will:
- prohibit public authorities from making a decision to invest or divest based on its moral or political opinion (or the opinion of any pressure groups which are seeking to influence it) of the actions of foreign states abroad.
  - prohibit the authority going on record saying it would have made that investment or divestment decision if not for the existence of this legislation.

- include a number of exemptions, although these are in the main restricted to actions which are illegal.
- provide for sufficiently interested parties to bring about legal proceedings against the authority and/or report the authority to the Pensions Regulator (TPR) if they consider an investment decision to be, or likely to be, in contravention of the above prohibitions.
- mean LGPS authorities should carefully consider not only the potential for decisions actually being in contravention of the legislation, but also the potential for third parties to bring about costly and time-consuming legal proceedings in relation to decisions they do not agree with, and in doing so, authorities may want to revisit their governance arrangements particularly in relation to investment decisions in order to minimise the risk of challenge.

5.3 In summary, the Bill is designed to prevent public authorities making decisions or statements of intent about investment which results from political or moral disapproval of the actions of a foreign state which has an overseas impact. The stated purpose of the Bill is to catch both open participation in boycotts or divestment campaigns, and more subtle ways of singling out countries or territories that could produce similar results. An example of this would be expressing support for engaging in boycotts and divestment campaigns. The Bill will not, however, prevent public authorities from complying with formal UK Government legal sanctions, embargoes and restrictions.

5.4 To mitigate the possibility for, and the impact of, any such proceedings, it is suggested that:

- the Committee receives clear, independent and documented advice on the implications of potentially contentious decisions prior to the meetings at which they are to be considered.
- officers ensure minutes in respect of investment decisions include clear references to the grounds on which they were taken and the advice received in connection with them.
- such decisions, which would in the main constitute the implementation rather than the strategy of investments, are delegated to officers and/or their pool.

5.5 Officers will work with the investment consultant to ensure any potentially contentious decisions are not open to challenge and are made based on valid investment reasons and that this is properly documented.

## 6 Committee Paper Comments

6.1 There has been one Pensions Committee meeting since the last Board meeting, and papers were shared with the Board. The agendas contained the following reports:

### 21 March 2024 – Administration and Governance Pensions Committee

- Local Board Report
- Fund Update
- Administration Update
- Annual Fun Policies Review
- Business Plan and Budget Setting
- Annual Report and Accounts 2023-24
- TPR General Code of Practice Training - Barnett Waddingham - exempt

7.2 As the focus of the Committee is different to that of the Board, not all areas are covered in this meeting. The Board have the opportunity to discuss any aspects of the Committee's papers where further clarity is required.

## Conclusion

8. The Fund Update report is a quarterly report to the Pension Board, to provide an update on Pension Fund matters and any current issues.

## Consultation

### a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.