



## LGPS LOCAL PENSION BOARD 16 JULY 2020

### PRESENT:

**Independent Chair:** Roger Buttery

**Employer Representatives:** Gerry Tawton

**Scheme Member Representatives:** Kim Cammack and David Vickers

Officers in attendance:-

Cheryl Evans (Democratic Services Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

### 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mark Whittington.

### 2 DECLARATIONS OF INTEREST

Mr Gerry Tawton declared that his wife was a deferred member of the Pension Fund.

### 3 MINUTES OF THE PREVIOUS MEETING HELD ON 9 JANUARY 2020

#### RESOLVED

That the minutes of the meeting held on 9 January 2020 be approved as a correct record and signed by the Chairman.

### 4 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 31 March 2020. These matters included Local Authority Pension Fund Forum Membership; the Pensions Regulator checklist dashboard; the breaches register; the risk register; asset pooling; the investment consultancy services and actuarial service appointments; and the funding strategy statement.

Two matters were highlighted to the Board:

- the extension of the investments consultancy services contract, which had been approved by the Pensions Committee on 16 July 2020, pending the Good Governance report from the scheme advisory board; and

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- the proposed changes to the funding strategy statement on transferee admission bodies, on which the consultation with employers had closed on 15 July 2020, with no concerns submitted.

In response to a question on the asset pooling sub funds (paragraph 5.1 of the report), it was stated that during the Investment Grade Credit transition Blackrock had been late enacting the currency hedging. However, this had led to a positive impact on the transition of a gain of £3.6 million. Lessons had been learned from this event.

RESOLVED

That the Pension Fund update report be noted.

## 5 PENSION ADMINISTRATION REPORT

The Business Development Manager from the West Yorkshire Pension Fund reported on the Fund's key performance and benchmarking for the period 1 January to 31 March 2020. The report also included information on the membership of the fund, including 'leavers' and 'joiners' during the three month period; customer satisfactions scores; internal dispute resolution procedures; and several other administrative updates.

It was highlighted that training had initially been suspended owing to the Covid-19 pandemic, but arrangements for virtual training were being made. The Pensions Regulator had advised that during the Covid-19 pandemic the focus of pension fund administrators should be on the payment of benefits; obtaining contributions; minimising the risk of fraudulent activity; and supporting good decision-making.

In response to a question on the 2,536 'frozen' members in the Lincolnshire Pension Fund, it was stated that this number was not a concern to the pension fund administrator.

RESOLVED

- (1) That the Pension Administration report from the West Yorkshire Pension Fund be noted.
- (2) The Board's congratulations be recorded to the West Yorkshire Pension Fund for their efforts continuing to provide services during the Covid-19 pandemic.

## 6 DATA SCORES

A report from the West Yorkshire Pension Fund's Business Development Manager was submitted on the quality of the Fund's data (both common and scheme specific), as required by the Pensions Regulator. The level of missing addresses for deferred scheme members was highlighted, and a tracing programme was in place.

Also submitted was the West Yorkshire Pension Fund's data improvement plan for 2019/20, which set out resolutions to the identified data issues.

In response to a question on whether more staff should be allocated to improve the quality of scheme specific data from its current accuracy level of 75%, it was stated that there were other priorities, such as increasing automated processes and responding to the McCloud judgement, which had supported the view that the focus of pension funds should be paying benefits to members. However, improvement of scheme specific data scores remained an aspiration. It was agreed that information on the scheme specific data scores of other LGPS funds would be circulated to members of the Board prior to the next meeting for comparison.

**RESOLVED**

- (1) That the report on the West Yorkshire Pension Fund's data scores and data improvement plan be noted.
- (2) That information on the scheme specific data scores from other LGPS funds be circulated to the members of the board prior to its next meeting for comparison.

**7 TEMPORARY BANK ACCOUNTS**

A report from the West Yorkshire Pension Fund's Business Development Manager was submitted on temporary bank accounts, which held monies due to the beneficiaries of the scheme, which had not been claimed. For deferred members there were 53 temporary bank accounts; and there were 136 temporary bank accounts for post-2014 preserved refunds.

It was confirmed that temporary bank accounts both reduced the liabilities of the fund and was of benefit to the individual, as they would not be subject to an unauthorised payment tax charge and interest accrued on the account. The Chairman requested more statistical information on temporary banks for the next report, including detail on the years they were opened and closed.

**RESOLVED**

- (1) That the report on the West Yorkshire Pension Fund's use of temporary bank accounts be noted.
- (2) That in future reports on the use of temporary bank accounts be submitted to Board bi-annually.

**8 EMPLOYER MONTHLY SUBMISSIONS UPDATE**

A standard report on employer monthly submissions for the period January to March 2020 was submitted to the Board, in which the Board was advised that from the 270 employers in the Fund six payments of contributions and 26 data submissions had been received late for the final quarter of 2019-20, which represented improved compliance from employers and no fines had been issued.

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RESOLVED

That the update on report on employer monthly submissions be noted.

**9**      **LINCOLNSHIRE PENSION FUND RISK REGISTER**

The Board considered a report, which set out an annual review the risk management policy and the quarterly report on the fund risk register, in which 28 risks had been identified. These risks had been scored in accordance with a matrix of their probability and impact. No changes had been proposed to the risk management policy since last year, and no changes to the pension fund risk register had been made since March 2020. Also included was coronavirus risk register, which had been developed in March 2020.

Three suggestions were made for additions to the pensions fund risk register. It was agreed that the following two changes would be submitted to the Pensions Committee on 15 October 2020:

- Investment and Funding Risks (Section I) – An additional risk to be added to the register of the failure of the Border to Coast Pensions Partnership.
- Operational Risks (Section O) – A specific entry in the risk register on the Pension Regulator's requirements (including scheme specific data).

On the third suggestion, the board was advised that GMP Equalisation was not necessarily a matter of concern for the Local Government Pension Scheme.

RESOLVED

(1) That the risk management policy be noted.

(2) That the pension fund risk register be noted, with two suggested additional risks being proposed to the Pensions Committee on 15 October 2020:

- Investment and Funding Risks (Section I) – An additional risk to be added to the register of the failure of the Border to Coast Pensions Partnership; and
- Operational Risks (Section O) – A specific entry in the risk register on the Pension Regulator's requirements (including scheme specific data).

(3) That the coronavirus risk register be noted.

**10**      **PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS**

The draft Pension Fund Annual Report and Accounts for the year ended 31 March 2020 were submitted, which had been prepared in line with statutory guidance and accounting standards issued produced by Chartered Institute of Public Finance Accountants.

The Board was advised that the report and accounts were being independently audited by the County Council's external auditors; and would form part of the Council's Statement of Accounts.

Following questions, the following points were confirmed: -

- The 193 page length of the annual report and accounts was determined by adherence to the statutory guidance and accounting standards.
- The cost of investment management expenses (page 170 of the agenda pack) had increased largely as a result in an increase in transaction costs and performance fees. The increase in transaction costs reflected the transition during 2019-20 of moving assets into Border to Coast funds.
- The oversight and governance costs included the monitoring of fund managers; the investment advisory service; audit costs; actuarial services; and support to the Pensions Committee. The increase in these costs was largely a result of the triennial actuarial review.
- Audit fees of £19,000 had been set through a national procurement exercise, in which the majority of local authorities participated. A concern was that this level of fees might compromise the quality of the audit and it was agreed that this would be raised with the Executive Director – Resources, as the section 151 officer.
- There were no cases of pension fund fraud in Lincolnshire.
- West Yorkshire Pension Fund would be providing further information on the pension payments overpayments tables (page 142 of the agenda pack).

RESOLVED

- (1) That the draft Pension Fund Annual report and Accounts be noted.
- (2) That the Chairman be requested to write to the Executive Director – Resources setting out the Board's concerns on the level of audit fees for a fund in excess of £2 billion.

#### 11 PENSION BOARD EFFECTIVENESS REVIEW

The Pensions Regulator's advice that it was best practice for pension boards to review their effectiveness on a regular basis was considered.

Following discussion on the Board's effectiveness, it was suggested that a review of the effectiveness of the Pension Board would be included in the Pension Fund's governance review in 2021, which would be undertaken independently.

RESOLVED

That a review of the effectiveness of the Pension Board be included in the Pension Fund's governance review in 2021, which would be undertaken independently.

**12     TRAINING NEEDS**

The Board considered the standard report on its training needs, which included a self-assessment by each Board member of their own training needs.

Reference was made to the benefits of the *Local Government Pension Scheme Fundamentals Training* provided by the Local Government Association (LGA) and the possibility of the LGA developing refresher training.

Members of the Board were offered individual one-to-one virtual sessions with the Head of Pensions and the Accounting, Investment and Governance Manager on any areas where they wished to gain more knowledge and understanding.

The Chairman requested that it be recorded that he had attended a meeting of the Border to Coast Pensions Partnership since the last meeting of the Pension Board and had circulated a copy of the minutes to the members of the Board in May 2020.

**RESOLVED**

That the report on the Board's training needs be noted.

**13     WORK PROGRAMME**

A report on the Board's work programme was submitted, which also included several reports from the cancelled March 2020 meeting.

Reference was made to the planned presentation on cyber-security for the 15 October 2020 meeting, and it was agreed that after consideration of this item, the Board would consider whether further reports would be required on this topic.

Two further items would be listed for the next meeting on 15 October 2020:

- Internal Dispute Resolution Procedure.
- Lincolnshire County Council and West Yorkshire Pension Fund Internal Audit Reports.

One item was added to the list for the meeting on 18 March 2021:

- Border to Coast Pension Board Chair's Report.

**RESOLVED**

That the report on the work programme, including the reports which had been due for submission to the March 2020 meeting, be noted, subject to the additions listed above.

The meeting closed at 3.36 pm.