



**LGPS LOCAL PENSION BOARD
15 JULY 2021**

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Rob Close (Democratic Services) Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

The following joined the meeting remotely via Teams:-

Yunus Gajra, WYPF Assistant Director (Finance, Administration and Governance) and Lisa Darvill, WYPF Client Relationship Manager

1 APOLOGIES FOR ABSENCE

Apoloiges for absence were received from Councillor M Whittington

2 DECLARATIONS OF INTEREST

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

Mr Dave Vickers declared that he was a pensioner member of the Pension Fund

3 MINUTES OF THE PREVIOUS MEETING HELD ON 18TH MARCH 2021

RESOLVED

That the minutes of the meeting held on 18 March 2021 be approved as a correct record and signed by the Chairman.

4 BORDER TO COAST PENSIONS PARTNERSHIP

Andrew Stone, Head of Customer Relations – Boarder to Coast, couldn't be at this meeting of the Board and no substitute could be found.

RESOLVED

2

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That this item be deferred until the 14 October meeting of the LGPS Local Pension Board.

5 SCHEME MEMBER AND EMPLOYER REPRESENTATIVE BOARD APPOINTMENTS

Jo Ray, Head of Pensions, explained that following the end of Dave Vickers' and Councillor Mark Whittington's terms, both members were reappointed to the Board for a further four year term following a recruitment process.

RESOLVED

That the report be noted.

6 PENSION FUND UPDATE REPORT

The Head of Pensions updated the Board of the fund matters for the quarter ending 31 March 2021. The report detailed that on the Pension Regulator's Toolkit, Knowledge and Understanding had moved to amber. This resulted from five new members being appointed to the Pensions Committee in May; Members had a six month window to complete any training so this wasn't currently of concern. Late payments of contributions and late payment of AVC cash from Prudential would be addressed in detail later in the agenda.

No new investments were made with Border to Coast in this quarter, however, work continued to develop the sub-funds, with the next new development being the multi asset credit fund which was expected to launch later this year. The Border to Coast Joint Committee was held on 13 July with papers being shared on 5 July. If the Board had any questions about the Joint Committee, the Head of Pensions suggested these were fed back to the Chairman of the Pensions Committee. The AGM for Border to Coast was to be held 20 July, which was to be followed by a Joint Committee Workshop covering Responsible Investment. This will ensure that the Funds' views could feed into the annual review of the Responsible Investment policies at Border to Coast.

The first meeting of the working group to consider the Investment Consultancy Tender had been scheduled for 29 July. Its recommendations would be brought to the 14 October meeting of the LGPS Local Pension Board.

RESOLVED

That the report be noted.

7 RESPONSIBLE INVESTMENT UPDATE

Claire Machej, Accounting, Investments and Governance Manager, gave an update of the Fund's Responsible Investment activity during the fourth quarter of the 2020/21 financial

year. The report detailed the activity undertaken by the Fund and the organisations the Fund was a member of. She outlined the activity of LAPFF (Local Authority Pension Fund Forum), Border to Coast, the Fund's chosen pool, and Robeco, who had been appointed by Border to Coast to provide voting and engagement services.

The Fund holds UK and global equities invested by Border to Coast, and details of voting activity on these were set out within the report.

Border to Coast undertook an RI survey of Pensions Officers, Committee and LGPS Local Pension Board members earlier this year. However, the responses made by the Pensions Committee members were from the previous membership therefore may not reflect the Committee's current position. She explained that Net Zero proposals were the endeavour to achieve an overall balance between greenhouse gas emissions produced and emissions taken out of the atmosphere. Countries, companies and investors were coming under pressure to make a commitment to net zero by 2050. Border to Coast wanted to work with partner funds to explore how this could be done through the pool. She proposed that this was a topic that was picked up at the September 2021 training session.

In advance of the meeting, LGPS Local Pension Board Members requested further detail about Border to Coast's ESG considerations when investing in China. Border to Coast considered investments on a company by company basis rather than at a country or regional level. That method sought to filter out the worst performers. If the Chinese economy was going through a period of growth but the Fund wasn't able to invest, this would be a financial risk to the Fund. In a follow up question, the Board observed that the social aspect within ESG possibly wasn't being given enough consideration, particularly when investments were being made in countries with less transparency.

The Board asked that when voting was undertaken through Border to Coast, did votes against management have an effect. Claire explained that, as a responsible investor, the fund believed in voting at company AGMs to be actively involved in the direction of the company. Working with Border to Coast, LAPFF, and other investors had increased the impact voting has on Company decisions. She felt that, although voting may not have an immediate effect, it enabled shareholders to express their views. Voting was done alongside engagement, to explain why votes were cast against management and to encourage changes in the companies' behaviours.

RESOLVED

That the Responsible Investment activity undertaken during the quarter be noted.

8 PENSIONS ADMINISTRATION REPORT

Yunus Gajra, Head of Governance and Business Development, West Yorkshire Pension Fund, introduced the report and outlined current administration issues. All key performance indicators had either been met or exceeded. Comments from the customer satisfaction surveys conducted in the quarter were generally positive, however, a small number of complaints were received from issues ranging from tax deduction to transfer for pension benefits. All employers training had been moved over to a virtual facility, offering the benefit of higher participation from shared service partner employers. Only two cases of scheme members' disputes were active during the quarter: an appeal against an ill health pension and a complaint because of late payments following issues with Prudential.

Until recently, Prudential had been providing a positive service for AVC holders. However, their administration platform had been changed earlier this year resulting in issues. Members AVC deductions had been taken by employers, but hadn't been allocated to their accounts by Prudential. Therefore, members weren't able to see up-to-date contributions in their AVC accounts. Prudential confirmed that members wouldn't lose out on any investment income. This also had an impact for retiring members; long delays were taking place when pension values were being sought from Prudential, resulting in a delay in starting to pay monthly pension benefits. Prudential had offered assurances that issues would be resolved by April 2021, which was unfortunately inaccurate. Members' AVC annual statements had also been delayed by at least eight weeks. Lincolnshire and West Yorkshire Pension Funds had reported Prudential to the Pensions Regulator.

Annual benefits statements would be offered digitally this year. Yunus explained the overall WYPF budget for this financial year was £15.43 million and offered a further breakdown of the per member budget. He explained that preparation for the potential impact from McCloud was beginning with engagement with Civica. Templates had been circulated to employers which sought details such as missing hours or breaks in service. Some information had been received back. Staff were being recruited to increase resources in key areas.

In relation to the issues at Prudential, while appreciating the importance of active member contributions being appropriately recorded, the Board were concerned that the retirees weren't being offered priority, particularly because retired members may not be able to access their income. The Head of Governance and Business Development explained that retired members' lump sums had been paid, allowing them some income. Older cases were being prioritised first. In a follow up question, the Board asked if outstanding cases were likely to be progressed to the pension's ombudsman. The Head of Governance and Business Development said this was likely. The Head of Pensions stressed that there were only a very low number of members whom actually had AVCs.

The Board sought clarity if it was expected that Prudential would send out a further update letter. The Head of Governance and Business Development didn't expect anything further until they had a final date for resumption of normal service. The Board suggested contacting the other authorities that used Prudential to increase the pressure on them. The Head of Governance and Business Development stated that this was discussed at pensions officer groups. He added that the FCA were also aware of the issues. The Head of Pensions was contacted on 23 June by Prudential who said that they would come back with an update in the near future. She noted Prudential's excellent record prior to the current problems.

The Board asked how long it would be until the annual pension statements for Lincolnshire County Council members were issued. Lisa Darvill, West Yorkshire Pension Fund, explained that West Yorkshire was waiting for information from LCC's payroll provider on the March data return which would resolve the outstanding issues relating to the introduction of Lincolnshire County Council's new payroll system in 2015. The Head of Governance and Business Development confirmed that if members had received an e-mail, their ABS should be available on the portal. The Head of Governance and Business Development was confident that all ABS's would be issued by the statutory deadline of the end of August.

The Board were surprised how low the access to the portal was, and low in comparison to other funds. The Head of Governance and Business Development explained other funds had been issuing benefit statements electronically through their portal for a few years, and had therefore increased use of the portal over that time. This is the first year West Yorkshire has issued annual benefit statements electronically through a portal.

RESOLVED

That the report be noted.

9 DATA QUALITY REPORT

The Head of Governance and Business Development, West Yorkshire Pension Fund, introduced the report and explained that it represented the latest position for the Pension Regulators data quality scores. The common score for Lincolnshire was 95.86 per cent and the scheme specific score was 84.32 per cent.

West Yorkshire Pension Fund did have a rolling programme to trace lost contact members but acknowledged that some had been lost track of, he hoped however that the use of email addresses would reduce the number of lost contacts. The majority of missing earnings were cases that were awaiting leaver information or pension benefits to be calculated. The data improvement plan identified target dates further into the future as it was recognised that most issues didn't impact members' benefits. He expected that the data quality report would show a bigger improvement when the report is next considered by the Board as work was underway to address some of the bigger outstanding numbers within the plan.

RESOLVED

That the report be noted.

10 EMPLOYER MONTHLY SUBMISSIONS UPDATE

The Accounting, Investment and Governance Manager explained that this was an update on late or incorrect employee submissions for the final quarter of the financial year for 2020/21. Generally, few employers paid their contributions late. Typically, the main area of poor performance was the submission of the data return; however the fourth quarter saw generally good performance. The issue identified earlier in the year with one of the Fund's larger payroll providers had been resolved. No fines were issues in the fourth quarter.

The Head of Pensions explained that a Border to Coast administration group had been set up in recent months. Within the group, a question had been raised asking if there were any common issues among employers. The Funds involved identified a trend with a small number of Admitted Bodies regularly failing to meet their statutory responsibilities. Common actions taken in such cases had included: issuing fines to the employer (however, they are not always paid), passing fines to the seeding employer, and working with employers regarding the contract management of their payroll providers. It was also suggested that a Chairman of a local pensions board could write to the scheme advisory board bringing these issues to their attention.

The Board asked if the regulator could offer any assistance in these issues. The Head of Pensions stated that this was a possibility, however the employers involved were typically smaller, and issues were generally resolved, albeit after a great deal of time and effort.

Noting the issues that the Head of Pensions raised regarding fines, the Board asked if the fund had any unpaid fines from employers. The Head of Pensions explained that two fines were outstanding. These fines were typically low in monetary value and were often written off rather than escalating to be settled in court. The rationale behind the fine is to recover the costs for the additional time taken to administer the submission.

RESOLVED

1. That the report be noted.
2. That the Chairman of the Lincolnshire Pension Board writes to the Scheme Advisory Board, detailing the employer issues faced to pension funds.

11 LINCOLNSHIRE PENSION FUND RISK REGISTER

The Head of Pensions introduced the report, explaining that this was an annual report detailing the fund's appetite for risk, risk management structures and approach to risk management. There hadn't been any changes to the policy since the last review. Risks were split across four areas; Governance, Investment and Funding, Operations and People. The assurance statement across the risks was generally substantial and no red risks were identified. The risk appetite was new to the template and would be populated as the risk appetite was identified by CLT.

The Board asked if they could expect to see the risk appetite once identified. The Head of Pensions explained that it would be brought to the Pensions Committee for ratification and then to the Board for their consideration.

RESOLVED

1. That the risk management policy be approved.
2. That the risk register be approved.

12 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Accounting, Investment and Governance Manager introduced the report and explained that the annual report and accounts had been prepared in accordance with statutory and industry guidance primarily set out in the code of practice for local authority accounting.

The timing issue relating to 31 March valuations for unquoted holdings was brought to the Board's attention. The draft accounts had been published in advance of the fund receiving all 31 March valuation for unquoted holdings. The accounts included all valuations that were received prior to 30 June. As further information was received, this would be reviewed and included as part of the accounts if deemed material. This may mean that the final version of the accounts is different. Any changes made would be detailed to the Board in October. The annual report and accounts were currently with the external auditor and their findings were expected to be reported to the Board in October.

Questions had been submitted prior to this meeting. It was confirmed that further detail would be included regarding the change in actuary and the timing and frequency of internal audits would be reviewed. An additional question related to the presentation of savings information in the annual report achieved through pooling: there was a requirement from MHCLG that the fund capture savings information, however, no guidance had been provided on how to collate and measure this. The calculations at Border to Coast were all done at an individual fund level and had been put together through collaboration with other funds in

Border to Coast. MHCLG stated that regulatory share capital should be captured as a cost. This sat at approximately £1.1 million for Lincolnshire and if Border to Coast were to disband that money would come back to the Fund. Savings had a focus on investment management fees and were a comparison between those seen at Border to Coast and the previous fees paid if there was a like for like comparison. Where a like for like wasn't possible, sector benchmark fees had been used.

The Board asked if the external auditors had completed their audit of the accounts. The Accounting, Investment and Governance Manager explained that their work started mid-June and they had completed the revenue element of their work. No issues had yet been flagged. An additional cost of £6,000 was expected for the extra work they need to do for unquoted holdings.

Referencing some of the administration benchmarking data within the report, the Board felt this was misleading. The Accounting, Investment and Governance Manager explained that the information included within the annual report was guided to by regulations. The number of funds that submitted data to national benchmarking was important to its overall quality.

The Board felt that inclusion of the savings from investment crossing included in the pooling savings was slightly unfair as this might be possible outside of pooling too. The Head of Pensions explained that it would depend on what the fund was going into, and if a manager was able to offer any crossing themselves. As part of the crossing opportunity, the fund was also able to avoid the impact of a dilution levy.

RESOLVED

That the draft Pension Fund Annual Report and Accounts be noted.

13 TRAINING NEEDS

The Accounting, Investment and Governance Manager introduced the report and commented that Board members had submitted their training log for the past 12 months. Within these logs the Board identified that they'd like a greater understanding of funding and investment strategies, an update on the outcomes of Good Governance Project and an update on the combined Pension Regulators Code. The training scheduled for September will consider funding and investment strategies.

Members of the Board noted their attendance at the CIPFA/Barnett Waddingham training, commenting that they found it very informative. In addition, members noted recent training on the Pension Scheme Act 2021 and the regulators new draft combined code. The Head of Pensions noted that work was being undertaken with the LGA Scheme Advisory Board to clarify which parts of the combined code were for the public sector.

RESOLVED

That all training feedback be noted.

14 WORK PROGRAMME

A report on the Board's work programme was submitted, which presented the items for consideration at future meetings.

RESOLVED

That the report on the work programme be approved.

The meeting closed at 3:55 p.m.

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