



**LGPS LOCAL PENSION BOARD
14 OCTOBER 2021**

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Robert Close (Democratic Services Officer), Andrew Crookham (Executive Director Resources), Michelle Grady (Assistant Director – Finance) and Claire Machej (Accounting, Investment and Governance Manager)

Officers joining the meeting remotely via Microsoft Teams:-

Jo Ray (Head of Pensions), Lisa Darvill (Client Relationship Manager, West Yorkshire Pension Fund)

15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M A Whittington.

16 DECLARATIONS OF INTEREST

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

17 MINUTES OF THE PREVIOUS MEETING HELD ON 15 JULY 2021

During consideration of the minutes from the previous meeting held 15 July 2021, the following update was received.

- The Chairman took the opportunity to advise that he had shared the deep dive into Border to Coast report with other partner fund Pension Board chairmen, however further discussions hadn't taken place due to limited interest.

RESOLVED

That the minutes of the meeting held on 15 July 2021 be approved as a correct record.

18 BORDER TO COAST PENSIONS PARTNERSHIP - GOVERNANCE PRESENTATION AND ANNUAL REPORT AND ACCOUNTS

Mr Andrew Stone, Border to Coast, presented an overview of Border to Coast Pensions Partnership Ltd. including detail of its vision, governance arrangements, key personnel, investment programme, wider corporate development programme, Lincolnshire's current investments, potential future investments, responsible investment strategy and an update on pooling savings.

In response to questions, the following comments were made:

- Staffing budget and resources were agreed with shareholders in consultation with Section 151 officers. Approval wasn't sought on a role by role basis; budgets were set in anticipation of resource demand.
- An Asset Management Charge (AMC) would likely be introduced in 2022 as a way of fairly splitting costs between different partner funds. Changes were currently made based on what partner funds state as their asset allocation intentions. It was appreciated however that, as Border to Coast were not a profit making company, an AMC would have to be carefully designed and closely monitored.
- Figures were available which detailed the cost savings for each individual partner fund. In addition to fee savings, pooling offered the opportunity to cross trades with other partner funds, something that Lincolnshire had recently benefitted from. Comparisons were made to legacy management costs identified prior to pooling. For example, employing a non-commercial asset manager could result in a number of elements of the fees being removed.
- The general partners (GP) were set up to allow investments in private markets to be made. Lincolnshire hadn't been included in the list of subsidiary companies in the Border to Coast Annual Report, as investments hadn't yet been made into alternatives. A GP arrangement for Lincolnshire will be created when the Fund starts to invest in alternatives with Border to Coast, which is expected to be in the next year.
- Regulatory share capital was calculated based on the specific value of the company. Subsequent investments made have further increased that value.

- Lincolnshire County Councillors wouldn't expect to nominate for Partner Fund Non-Executive Director (NED) positions as, in consultation with the Executive Director – Resources and the Monitoring Officer, it was considered that an Elected Member could have a conflict of interest between acting in the best interest of the company as a board member with their responsibilities on the Pensions Committee.

RESOLVED

That the report and presentation be noted.

19 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 30 June 2021. These matters included The Pensions Regulator (TPR) checklist dashboard and code of practice, breaches register update, risk register update and an asset pooling update.

In response to questions, the following comments were made:

- TPR hadn't been forthcoming with their action plan to address the deficiency in Prudential's service delivery. No response had been received from Prudential for four weeks. Improvements were noticed and the impact to scheme members had been limited. The Fund's administrator, West Yorkshire Pension Fund, had ensured no financial difficulty had been suffered by scheme member by paying out portions of lump sums while waiting for Prudential. The Executive Director of Resources agreed to raise this matter at the Society of County Treasurers AGM and consider if a joint communication from the Chairmen of a collection of pension funds should be sent to TPR expressing disquiet with Prudential.
- The impact from Prudential hadn't been included on the risk register as it wasn't considered to be a material issue. Only 800 of the 25,000 active members had AVCs, therefore the impact was very small on the fund overall.

RESOLVED

- That the Board recommend to the Pensions Committee that they include the risk from Prudential's payment deficiency on the risk register.
- That the Chairman of the LGPS Pensions Board and the Executive Director – Resources raise their discontent to the SCT, to provide a collective response.
- That the Pension Fund update report be noted.

20 RESPONSIBLE INVESTMENT UPDATE

A report was submitted to the Board which gave an update on Responsible Investment (RI) activity during the first quarter of the financial year 2021/22. These matters included an update on the work undertaken by the LAPFF, the RI activity of Border to Coast, voting activities on shares held by the fund, the Financial Reporting Council's new Stewardship Code and the fund's Investment and Responsible Investment beliefs.

RESOLVED

That the report be noted.

21 PENSIONS ADMINISTRATION REPORT

The Client Relationship Manager from West Yorkshire Pension Fund reported on the Fund's key performance and benchmarking for the period 1 April 2021 to 30 June 2021. These matters included performance and benchmarking, scheme information, member and employer contact, internal disputes resolution procedures, administration update, current technical issues, web registrations, shared service budget and award nominations.

In response to questions, the following comments were made:

- A report was being developed to identify the number of scheme members viewing annual benefit statements. Currently, it was only scheme members' login times available, not the pages visited. Further work was being done to provide additional data. Scheme members were encouraged to sign up to MyPensions through newsletters.
- Of those scheme members eligible to receive a benefit statement, 99.9% had been produced for deferred members, and 98.7% for active members.

RESOLVED

That the report be noted.

22 TEMPORARY BANK ACCOUNTS

A report by the Client Relationship Manager from West Yorkshire Pension Fund updated the Board on the number of temporary bank accounts created by the Fund to hold monies due to beneficiaries of the scheme.

RESOLVED

That the report be noted.

23 TRANSFERS OUT

A report by the Client Relationship Manager from West Yorkshire Pension Fund updated the Board on the West Yorkshire Pension Fund Transfers Out system.

In response to questions, the following comments were made:

- An Internal Disputes Resolution Procedure (IDRP) had been commenced for a scheme member who felt that they shouldn't have been allowed to transfer out, however all necessary checks had been completed. Ultimately, confirming the transfer out was appropriate.
- All requests for transfers out were taken very seriously and appropriate due diligence was exercised.

RESOLVED

That the report be noted.

24 EMPLOYER MONTHLY SUBMISSIONS UPDATE

This paper provided the Board with up-to-date information on Employer Monthly Submissions for the first quarter of the financial year 2021/22 (April to June inclusive).

RESOLVED

That the report on the employer monthly submissions for the first quarter of the financial year 2020/21 be noted.

25 ANNUAL REPORT AND ACCOUNTS 2020/21: EXTERNAL AUDIT UPDATE REPORT

Consideration was given to a report which offered an update of the audit work outstanding and findings from the work completed to date undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report.

The Board was advised that a compound of Covid-19 implications and staffing disruptions were cited by Mazars as contributing to the delay in the Audit accounts' sign off.

In response to questions, the following comments were made:

- The draft accounts were prepared using the most up to date accounting information available at the time, for example: 31st December valuation rolled forward for cash flow movements. By September all 31 March valuations had been received and on review, added £34 million to the asset value in the accounts.
- A decision for the Audit Committee, and subsequently Council, was on the horizon to determine if Lincolnshire County Council intended to be part of the national procurement process to appoint an external auditor. It was noted that the vast majority of the local government audit market was covered by a very limited amount of providers.

26 TRAINING NEEDS

The Board considered the standard report on its training needs.

Members of the Board had attended the recent Barnet Waddingham Autumn online seminar, feeling it covered all current issues particularly appreciating the Governance section. In addition, the Chairman noted that he'd attended a number of sessions including the Border to Coast conference, ESG training, Pensions Scheme Act. 2021 training and the Pensions Trustees Circle. A training session scheduled for February 2022 was arranged, covering valuations and responsible investment beliefs. A date would be confirmed shortly.

RESOLVED

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

27 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.

CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 9 has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting of the consideration of this item of business.

28 INVESTMENT CONSULTANT TENDER AND APPOINTMENT RECOMMENDATION

Consideration was given to a report which summarises the recent Investment Management Consultancy Services tender exercise undertaken and provided a recommendation for the appointment commencing 1st January 2022.

RESOLVED

That the Investment Consultant Tender and Appointment Report be noted.

29 INTERNAL AUDIT OF LINCOLNSHIRE AND WEST YORKSHIRE PENSION FUNDS

Consideration was given to a report updated the Board on the internal audits that had been undertaken over the past year on the Lincolnshire Pension Fund and on the administration service provided by West Yorkshire Pension Fund.

RESOLVED

That the Internal Audit of Lincolnshire and West Yorkshire Pension Funds report be noted.

The meeting closed at 4:23 p.m.

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