



**LGPS LOCAL PENSION BOARD
17 MARCH 2022**

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and 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), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

Others in attendance:

Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund) and John Pressley (Audit Manager, Mazars)

42 APOLOGIES FOR ABSENCE

No apologies for absence were reported.

43 DECLARATIONS OF INTEREST

Mr Gerry Tawton and Councillor M Whittington declared that their spouses were deferred members of the Pension Fund.

44 MINUTES OF THE PREVIOUS MEETING HELD ON 6 JANUARY 2022

During consideration of the minutes from the previous meeting held 6 January 2022, the following updates was received.

- In relation to minute 35, on reflection, the Board felt that West Yorkshire Pension Fund (WYPF) appointing, an Independent Financial Advisor (IFA) may not be appropriate. The Governance and Business Development Manager, WYPF, advised that in previous instances, scheme employers typically arrange group advise sessions. However, he offered to investigate this topic further and come back to the Board. The Head of Pensions stressed that pre-retirement and midlife courses were offered by an external provider to all scheme members, and all employers have access to the benefits consultancy service offered by the actuary and can arrange specific sessions for their employees.
- In relation to minute 39, it was confirmed that all AVC data had since been received from Prudential.

RESOLVED

That the minutes of the meeting held on 6 January 2022 be approved as a correct record.

45 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 31 December 2021. These matters included: The Pensions Regulator (TPR) checklist dashboard and code of practice, breaches register update, risk register update and asset pooling update. In relation to the TPR checklist, since the agenda's publication, it was reported that only one member of the Pensions Committee was yet to confirm when they expect to complete their toolkit, b12 could then be move back to green.

In response to questions, the following comments were made:

- In response to the impact of the Ukrainian War on Fund assets, there was a risk already established in the register which covered market volatility for both short and long periods. Discussions were ongoing with Investment Managers to understand how they are managing and valuing holdings in Russia and Ukraine. It was stressed that, rather than address specific issues, the risk register sought to identify a wider view of the total risk.
- A regular quarterly investment performance report was submitted to all joint committee meetings, detailing any underperformance and measures taken to address this.
- Discussions had been undertaken with the Chairman of the Pensions Committee to encourage members of the Pensions Committee to complete outstanding mandatory training.
- The Board were keen to see the Risk Manager attend a future meeting of the Board to provide more information to the Board on how the Fund is recording and managing risk. Moreover, a revised risk register would be brought to the July meeting and the Risk Manager would provide more information on how risks are identified, recorded, and should be managed.

RESOLVED

That the Pension Fund update report be noted.

46 RESPONSIBLE INVESTMENT UPDATE

A report was submitted to the Board which gave an update on Responsible Investment (RI) activity during the third quarter of the financial year 2021/22. These matters included an update on the work undertaken by the Local Authority Pension Fund Forum (LAPFF), border to coast pensions partnership activity, Robeco activity, Legal and General Investment management activity, voting activity and net zero reporting and metrics, stewardship code submission and feedback.

In response to questions, the following comments were made:

- Attendance at annual employer meetings was often low but it was stressed that a week before, a fully virtually administration meeting was held with employers which more popular. A recording of the annual employer meeting was also available for employers to view after the meeting.

- The Board congratulated officers on their successful application to the Financial Reporting Council for the 2020/21 Stewardship Code. It was noted that the Lincolnshire Pension Fund were one of only two Border to Coast Funds who were successful.

RESOLVED

That the report be noted.

47 PENSIONS ADMINISTRATION REPORT

A report was submitted to the Board by the Governance and Business Development Manager (WYPF) on the Fund's key performance and benchmarking for the period 1 October 2021 to 31 December 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:

- There had been an increase of two per cent from 84 per cent to 86 per cent in the data improvement plan reported previously at the LGPS Pensions Board. Much of the missing data was historic, therefore wasn't reported in the data fields. This issue was now going to be addressed. Market investigations were being undertaken to identify optical reader software to enable the data to be identified, extracted, and added into the correct fields in the admin system.
- Civica, WYPF's software provider, had confirmed their capacity to deliver a function enabling identification of scheme members accessing annual benefits statements (ABS), so the Fund can monitor how many members have viewed their ABS.
- While WYPF hadn't yet signed up to the pledge to combat pension scams, it was reported that consideration had to be given to if it, or if it was over and above their statutory requirement. To sign up, LGPS Pensions Board Members would have had to have completed the relevant module in TRP toolkit. A training presentation was to be delivered to WYPF Board. This presentation will be delivered to the Board at a future meeting.
- Draft dashboard regulations had been issued.
- Contractors often exited as admissions bodies who had been in the scheme until the end of their contract. Upon an employer's exit, a standard set of calculations was undertaken to identify any monies owed to the fund by the employer.
- The amended regulations allowing for the administrator to halt a member transfer out based on a series of red and amber standard flags. Furthermore, it was considered that, as a new process, it may benefit from being included in officers' regular reporting.
- The admin team based in Lincoln work across all shared service partners, not just on Lincolnshire Pension Fund members. Staff will continue to be recruited across all sites, moreover, WYPF had precedent to recruit staff from outside of their region. It was clarified that there wasn't any expectation that the Lincoln office was going to close, and it is expected that all WYPF staff will be returning to the office, part time, from 25 April.
- Standard practice was that, if notice had been given by an employer for additions to pensionable pay (e.g. arising from inflationary increases), recalculations would take place automatically. This, however, required proactive engagement with WYPF from employers.

RESOLVED

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That the report be noted.

48 EMPLOYER MONTHLY SUBMISSIONS UPDATE

A report was submitted to the Board with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2021/22 (October to December inclusive).

In response to questions, the following comments were made:

- South Kesteven District Council's December submission (where data and payment did not match) been corrected in the January return.

RESOLVED

That the report on the employer monthly submissions for the third quarter of the financial year 2021/22 be noted.

49 TEMPORARY BANK ACCOUNTS

A report was submitted to the Board by the Governance and Business Development Manager (WYPF) on the number of temporary bank accounts created by the Fund to hold monies due to beneficiaries of the scheme.

In response to questions, the following comments were made:

- Member visits hadn't yet been resumed following the pandemic, however staff were returning to the office from April 2022 so the personal visit provision would be reviewed.
- There were several reasons for beneficiaries not claiming their benefits and the parameters for notification could be subject to review going forward.

RESOLVED

That the report be noted.

50 THE MCCLOUD RULING - EFFECTS ON THE LOCAL GOVERNMENT PENSION SCHEME

A presentation was submitted to the Board by the Governance and Business Development Manager (WYPF) on the changes to the LGPS scheme benefits following the release of the McCloud ruling. These matters included an overview of what the McCloud ruling was, the implication of the McCloud ruling, the proposals made as a result, the current protections for LGPS members, the LGPS proposed remedy, the cost cap mechanism and shared service administration.

In response to questions, the following comments were made:

- Pensions were calculated on a year-by-year basis through the CARE scheme. If a scheme member had a large pay rise in their last 12 months of employment, under the CARE scheme this would only apply to the pension for the last year. However, under the previous regulations, a higher pension might arise despite the lower accrual rate applied under the

final salary scheme. If the underpin were to apply to someone when they were leaving but the beneficiary chose to defer their benefit, they would lose their entitlement to the underpin.

- The McCloud ruling affected anyone who was a pension fund member from 1 April 2012 and still a member 1 April 2014.
- It considered that the McCloud ruling may set precedent for those discriminated against to investigate the inadequacies in their benefits.
- Practitioners were concerned that they didn't know how the varying of benefits could be identified in annual benefit statements (ABS) despite a government directive to include it on the ABS.
- 31 March 2022 is a start day for the regulations and administrators would still have until 31 October 2023 to ensure compliance.

RESOLVED

That the report be noted.

51 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

A report was submitted to the Board on changes to the Lincolnshire Pension Fund Policies including the Investment Strategy 2022, Communications Policy 2022 and LPF Pensions Administration Policy 2022.

In response to questions, the following comments were made:

- The strategic asset allocation benchmark replacement of SONIA from LIBOR was as a result of the benchmark's gradual phase out because of financial scandals linked to LIBOR manipulation. SONIA was more transparent and reflected the average of the interest rates that banks paid to borrow sterling.

RESOLVED

That the Pension Fund update report be noted.

52 LINCOLNSHIRE PENSION FUND – BUSINESS PLAN 2022/23

A report was submitted to the Board on changes to the Lincolnshire Pension Fund Business Plan 2022/23.

In response to questions, the following comments were made:

- It was clarified that Triennial valuations set the employers rates from one year after the valuation date.
- Border to Coast plan to move to a full Asset Under Management charging model over time. However, elements, such as the governance charge, for 2022/23, continue to be charged separately to each partner fund.
- The Council would review its outsourced services from April 2024 through a full-scale review which would encompass the review of the administration shared service arrangement with West Yorkshire Pension Fund.

RESOLVED

That the Lincolnshire Pension Fund Business Plan 2022/23 be noted.

53 ANNUAL REPORT AND ACCOUNTS 2021/22 REVIEW OF ACCOUNTING
ARRANGEMENTS AND ACCOUNTING POLICIES AND THE EXTERNAL AUDIT AUDIT
STRATEGY MEMORANDUM

A report was submitted to the Board by the Accounting, Investment and Governance Manager on the Local Authority Accounting, Amendments to the Accounts and Audit Regulations 2015, review of the Council's Accounting Policies for the Pension Fund Statements and External Auditors Audit Strategy. This also included a presentation from the Audit Manager from Mazars covering the External Auditors Audit Strategy Memorandum.

In response to questions, the following comments were made:

- The reporting materiality threshold was in place to set a minimal level at which issues were reported to the Audit Committee. Mazars typically used a three per cent of headline materiality to determine the reporting threshold, in the case of the Lincolnshire Pension Fund this is anticipated to be £0.8m for the 2021/22 audit.
- A sample size calculator was used based on risk, testing a number of benefit payments made throughout the year. Sample sizes used ranged from 30 to 50 for benefit payments. Likewise, a sample of pension contributions will be identified too.
- As Lincolnshire County Council and Lincolnshire Pension Fund's accounts were both in a combined document they were required to be signed off at the same time. Only at that stage, could Mazars prepare their audit opinion. It was suggested there may capacity to offer a separate audit opinion. As there are already two separate audit letters the impact on cost wasn't expected to be substantial. Officers agreed to investigate the viability of two separate sign offs.
- Whilst additional audit expectations had increased, the current scale fee had remained consistent for a number of years. Therefore, the fee variation existed to cover additional works. This was expected to increase for 2021/22. Within the current fee level, only limited testing could be undertaken. Testing work could be done without the order of magnitude, provided a degree of reliance was put upon management, the custodian, and the fund managers. The current fee level was common among other pension funds throughout the country, all of whom were subject to similar variations subject to approval by PSAA (Public Sector Audit Appointment).
- A fee is charge to those employers who's auditor seeks an assurance letter from the pension fund auditor, the fee for each was approximately £1,400. The fee for assurance letters was at the discretion of Mazars while they had to observe PSAA fee parameters when setting scale fees.
- The overall level of materiality that would affect the understanding of readers of the accounts was identified to be £29.3m, however testing was designed to test to a level of 75 per cent less, in this instance, £23.4m. This allowed for value miscalculation resilience in one or more areas. The headline materiality was clarified as being the overall figure that a reader of the accounts would likely be interested in. All errors over trivial materiality would be aggregated.
- A range of different types of benefits would be considered within sampling providing sufficient coverage to ensure calculations in the automated systems to produce correct answers.

- Mazars audited WYPF which offered an insight into the calculations and controls within the admin system and processes. Providing those systems were working correctly, a degree of reliance was put upon those systems to calculate values subject to no problems being identified. If there was an error identified on a value, it would be substantively tested. The senior auditor for Lincolnshire Pension Fund had extensive previous experience auditing pension calculations.

RESOLVED

1. That the changes required to the Statement of Accounts from the Code of Practice 2021/22 be noted.
2. That the changes to the Accounts and Audit Regulations 2015 be noted.
3. That the Statement of Accounting Policies (LGPS) Pension Fund accounts for the financial year ending 31 March 2022 be approved.
4. That the External Auditors Audit Strategy Memorandum be noted.

54 TRAINING NEEDS

The Board considered the standard report on its training needs. The Board were advised that the Council had a requirement that all officers and Members complete information assurance training and it was agreed that this extends to the Board. It was agreed that the Council's Head of Information Assurance would attend a future Board meeting.

Members of the Board noted their attendance at an online ESG conference recordings of which were still available, investment training which took place with the Pensions Committee, the Pension Fund's Employers' meeting, Room 151 private markets and Blackrock – Navigating Geopolitical Uncertainty.

The Board were encouraged to consider attending the upcoming CIPFA or Barnett Waddingham training sessions.

RESOLVED

1. That information on any relevant events attended since the last Board meeting be noted.
2. That conference and training feedback from the previous three months be noted.
3. That any further training required in future months be noted.
4. That the Board's submit training logs for 2021/22 be submitted by the end of May 2022.

55 WORK PROGRAMME

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

During the meeting, the Board identified the following items to be scheduled into the work programme for future meetings:

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- Presentation and review of the Risk Register from the Principal Risk Officer and the Information Assurance Officer.
- A presentation from Governance and Business Development Manager (WYPF) on pension scams and pension pledges.

RESOLVED

That the report on the work programme be approved.

56 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED:

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 16 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.

57 AVC PROVIDER REVIEW

Consideration was given to a report brought a review of AVC providers to the Board.

RESOLVED

That the report be noted.

The meeting closed at 4.45 pm