



**PENSIONS COMMITTEE
13 JULY 2023**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, A W Briggs and S Bunney

Co-Opted Members: Tom Hotchin (Academy Sector Representative)

Officers in attendance:-

Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of Pensions), Josh Drotleff (Finance Technician) and Thomas Crofts (Democratic Services Officer)

Others in attendance:-

Roger Buttery (Independent Chair – LGPS Local Pensions Board), Matt Mott (West Yorkshire Pensions Fund) and John Presley (Mazars)

10 APOLOGIES FOR ABSENCE

An apology for absence was received from Steve Larter (Small Scheduled Bodies Representative).

11 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan declared an interest as a pensioner member of the Pension Fund.

Tom Hotchin (Academy Sector Representative) declared an interest as a contributing member of the Pension Fund.

12 MINUTES OF THE PREVIOUS MEETING HELD ON 8 JUNE 2023

RESOLVED

That the minutes of the meeting held on 8 June 2023 be approved as a correct record and signed by Chairman.

13 REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE LOCAL PENSION BOARD

Consideration was given to a report by the Independent Chair of the Lincolnshire Local Pension Board which updated the Pensions Committee on the work of the Board during the past few months. During the last meeting, the Board focused on the following matters:

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- The Board raised some disappointment that a few employers had not paid recent contributions on time; however, they welcomed the reduction in the use of temporary bank accounts.
- The Board raised concerns that regarding delays to the sign off of the Council's 2021/22 statement of accounts but recognised that the reason for this was outside of the Council's control and was a national issue concerning auditing. The Board felt that this matter needed to be raised more prominently with CIPFA and the Government.
- The Board also welcomed Peter Allan to its membership, who had replaced Gerry Tawton as an Employer Representative. The Board thanked Gerry Tawton for his services.

The Committee discussed the report, and it was stated the Committee shared the Board's frustrations regarding the delays to the sign off of the accounts citing the pressures on auditors to be cautious and the expectation that they undertake more detailed reviews, which had caused resourcing issues. It was also recognised that the increased demands placed on auditors had resulted in the withdrawal of firms from the sector, which placed even greater strains on facilitating audits.

RESOLVED

That the report and comments made be noted.

14 PENSION FUND UPDATE REPORT

The Head of Pensions gave an update to the Committee on Fund matters for the quarter ending 31 March 2023. The following matters were highlighted:

- Funding level changes were outlined and performance was above the benchmark.
- The Committee's Training Policy required that new Committee members to have completed the Pension Regulator's training toolkit within 6 months of their appointment. This was outstanding as new members had been recently added.
- The risk register had been updated to reflect changes associated with the loss of key staff and knowledge.
- The consultation on pooling investments had been published and reflected a requirement for Funds to have an ambition for investing in high growth companies and contributing to the levelling up agenda.
- Approval was sought for an additional career graded post within the Pensions team to develop skills and improve capacity within the team.

The committee considered the report and the Chairman stated that he had recently attended a conference of the Pensions and Lifetime Savings Association and reported that there had been discussion regarding the pooling of funds and that Border to Coast was the best performing of the existing pools. He welcomed other members to attend the Border to Coast Annual conference.

RESOLVED

1. That the report and comments made be noted.
2. That the Committee approve the additional post to the Pensions team.

15 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report prepared by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF). The Committee was guided through the report, and the following matters were highlighted:

- Staffing and resourcing presented the greatest challenge regarding administration performance. Notably, the administration of instances of death in service were affected – with two instances missing deadlines by three days.
 - An update was given on deferred benefits, transfers and refunds undertaken by the administrator.
- Recruitment was underway to fill empty posts in the administrator's Technical Team and Employee Relations Team.
- Over the last 12 months, as part of the collaboration of Shared Service Partners, a Risk Register has been produced, which considered risks faced by the shared administration service provided to all partners.
- Monthly posting phase 3 was due for release to employers once cyber testing had been completed. The system was designed to help employers complete the submitted file process. Once a 'go live' date was agreed, there was to be a rolling programme to encourage all employers to engage with the new system.
- All Board members of the West Yorkshire Pension Fund had now completed the Pensions Regulator training on pension scams and they had now signed up to the pension scams pledge with effect from April 2023.
- The annual revaluation date for CARE pensions required changes to align with the tax year, to ensure that scheme members did not face unnecessary additional tax charges through the annual allowance limits.

The Committee discussed the report and the following matters were raised:

- Lincolnshire had challenged the Fund administrator on underperforming indicators.
- In reasoning for some instances of underperformance, it was recognised that employer submissions were not always perfect and that submission deadlines were sometimes missed as data required cleansing.
- Concern was raised that when moving to the new monthly posting process, some employers would miss submission deadlines as data had to be correct before it could be submitted.
- It was clarified that there would be little improvement in the short term in relation to interfund transfer performance, as factors from GAD required to process them had only just been received, and the backlog would need to be cleared.

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RESOLVED

That the report and comments made be noted.

16 ANNUAL REPORT AND ACCOUNTS 2022-23: DRAFT ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report from the Head of Pensions, which presented the draft Annual Report and Accounts 2022-23. The Committee was guided through the report and attention was drawn to the following matters:

- The management arrangements of the Fund.
- The report of the Pensions Committee and Local Pension Board respectively, which gave updates on their activities over the year.
- The management report of the administering authority, which reported the following:
 - Scheme membership had increased.
 - Deferred beneficiaries remained stable.
 - The strategic asset allocation, as before the meeting of the March Pensions Committee.
 - A tracking of the retail price index and public sector earnings compared to Fund performance.
 - Performance across the various investment managers.
 - Information on the top 20 holdings in the fund – which had moved towards pooled funds and therefore appeared to be more concentrated.
 - A breakdown of asset class and the investment managers.
 - Funding level changes, stewardship and risks.
 - The business plan and associated budgeting.
- Employer contributions paid over the previous year.
- Asset Pooling, which included the net savings achieved.
- The investment background and performance of the major indices.
- An overview of the administration of benefits for scheme members, which included information on disaster recovery and customer satisfaction levels.
- A summary of the LGPS Contributions and Benefits
- Pension fund knowledge and skills.
- A breakdown of the Fund's account and notes, which covered:
 - The Committee's setting of standards
 - A summary of transactions taken place throughout the year
 - Valuations and capital commitments
 - A note that contributions exceed benefits paid, equating to a positive cashflow
 - A note that cash balances had increased ten-fold, showing the impact of increasing interest rates.

John Pressley from the external auditor, Mazars, then presented the Audit Strategy Development Update – he highlighted the following:

- One significant risk considered was regarding the valuation of Level 3 (hard to value) investments, which, by their nature, presented possible discrepancies in the valuation report. However, the report was in line with previous year.
- The audit opinion was due to be released in November 2023 on the 2022-23 accounts as further work needed to be completed.
- Additional work had been required on the 2021-2022 accounts, as the March 2022 triennial review had been completed before the accounts had been signed off.

Consideration was given to the report and the following comments were raised:

- Progress had been made nationally with the Financial Reporting Council regarding the position of local authority outstanding audits, but no changes were anticipated this year.
- Issues identified by the Pensions Ombudsman did not feature as part of this annual report.
- Some typographical errors were noted and were to be amended in the final report.

RESOLVED

1. That the report and comments made be noted.
2. That the Committee approve the draft Pension Fund Annual Report and Accounts

17 ANNUAL PENSIONS COMMITTEE TRAINING PLAN AND POLICY

Consideration was given to a report from the Head of Pensions, which presented the Training Plan and Policy to the Committee. The following matters were highlighted to the Committee:

- The Training Plan had been updated to reflect the new scheduling of items coming to the Committee alongside an explanation on how this new schedule would meet the requirements of the CIPFA Knowledge and Skills Framework.
- An annual visit to Border to Coast's offices in Leeds was to be scheduled and dates were to be confirmed. The visits would not include a Committee meeting in order to allow more time for training and questions.

Consideration was given to the report and the following comments were raised:

- The updated training materials on LOLA were to be circulated to all members of the Committee.
- For new members, there was a 6-month window for them to complete the Pension Regulator Training and a 12-month window to complete the LOLA training, in accordance with best practice.

The Chairman welcomed questions from the Committee to be raised with Border to Coast.

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RESOLVED

1. That the Committee approve the training policy.
2. That the report and comments made be noted.
3. That the Committee approve the annual training plan.

The meeting closed at 11.30 am