



**LGPS LOCAL PENSION BOARD
13 JULY 2023**

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Peter Allan

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:-

Matt Mott (West Yorkshire Pensions Fund) and John Pressley (Mazars)

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Kim Cammack (Scheme Member Representative) and David Vickers (Scheme Member Representative).

The meeting was found to be inquorate and continued as an informal meeting.

32 DECLARATIONS OF INTEREST

Councillor M A Whittington declared that his spouse was in receipt of a pension from the Fund for openness and transparency.

Peter Allan declared an interest as a contributing member of the Pension Fund for openness and transparency.

33 MINUTES OF THE PREVIOUS MEETING HELD ON 16 MARCH 2023

The minutes were considered to be a correct record.

CONCLUSION

That the minutes of the meeting held on 16 March 2023 be approved as a correct record and signed by the Chairman, subject to ratification by the Board.

34 PENSION BOARD APPOINTMENTS

The Board were advised by the Head of Pensions that Gerry Tawton and Kim Cammack had served their terms in the posts of Employer Representative and Scheme Member

Representative, respectively. It was noted that Kim Cammack would be serving another term as Scheme Members Representative and Peter Allan would be serving as the new Employer Representative.

The Board welcomed Peter Allan to the membership and thanked Gerry for his service.

CONCLUSION

That the Board appointments be noted.

35 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters.

The Board was provided with updates on the following:

- Breaches Register Update.
- Recruitment to new posts.
- Risk Register Update.
- Asset Pooling Update.
- Work of the Officer Operations Group.
- Internal audit assurances were found to be good for the Fund administrator.
- The long awaited consultation on pooling had been published which set expectations that pension funds invest 10% of their holdings in private equity, and 5% locally in line with the Levelling Up agenda.

In response to question, the following comments were made:

- The Government could not direct Fund investments under existing regulations.
- Local investments meant the UK, not Lincolnshire.
- Global private equity investments did not have to be 'local'.
- The 5% local investment expectation included existing investments, not just additional investments.
- Approximately 8% of the Fund's current investments were in private equity.
- The new posts within the Pensions team were career graded – with one specialising in accounting and scheme administration and the other specialising in investments and stewardship.
- The Fund's draft response to the pooling consultation would be presented to the Pensions Committee in September.
- Concerns were raised regarding economies of scale in relation to pooling, as the current arrangement worked well for the Fund.

CONCLUSION

That the Fund update be noted.

36 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report by West Yorkshire Pension Fund (WYPF), which provided an update on current administration issues. The following matters were highlighted:

- Staffing and resourcing presented the greatest challenge regarding administration performance. One area affected had been in the administration of instances of death in service – with two instances missing deadlines by three days.
 - o An update was given on deferred benefits, transfers and refunds undertaken by the administrator which had also not met the KPI targets.
- There were two outstanding Ombudsman complaints reported.
- 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 pensions dashboard deadline had been extended to 31 October 2026; however, WYPF was still planning to meet the original deadline of September 2024.

In response to question, the following comments were made:

- It was down to the employer to ensure timely data submissions and necessary assurances from their payroll providers.
- Late data submissions would be taken up with both the employer and their payroll provider; however, only the employer would receive a fine if failures persisted.

CONCLUSION

That the report be noted.

37 DATA QUALITY REPORT

Consideration was given to a report by West Yorkshire Pension Fund (WYPF), which updated the Board on the data quality scores for Lincolnshire Pension Fund. The following was highlighted:

- The overall direction of travel concerning the quality of data was positive.
- There were 2,381 addresses missing in the records for deferred scheme members – this was a decrease of 39.
- There were 5,327 records missing national insurance contributions – a decrease of 89.

- Data cleansing and updating was continual and the WYPF was broadly happy with the state of their records.

In response to a question, it was clarified that the administrator wrote to the scheme member when they left an organisation and sent annual letters to that person, providing their address was kept up to date. If it came to the administrator's attention that the address was no longer valid, then work would be undertaken to try and trace the member.

CONCLUSION

That the report be noted.

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

The Head of Pensions presented the draft Annual Report and Accounts 2022-23, as approved by the Committee. 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, 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.

It was clarified that the value of investments fell in 2022-23 which in turn reduced costs and management fees. It was also clarified that the delay to the accounts being finalised for Audit was as a consequence of timings of certain asset values being received rather than problems being identified.

CONCLUSION

1. That the report be noted.
2. That Board be satisfied with the draft Pension Fund Annual Report and Accounts, subject to ratification by the Board.

39 TRAINING NEEDS

The Board's training needs were considered.

CONCLUSION

1. That the training needs be noted.
2. That the Board Training Policy be approved, subject to ratification by the Board.

40 WORK PROGRAMME

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

Members were advised that the next meeting of the Board was moved to 9 November 2023, and that the report to the Pensions Committee regarding the pooling consultation would be shared with the Board.

The Board was keen to see a report on Border to Coast's accounts at a subsequent meeting.

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CONCLUSION

That the report on the work programme be noted.

The meeting closed at 3.45 pm