

Pension Board

Friday, 18 September 2020, Online only - 10.00 am

Present:

Minutes

Ms P Agar, Ms O Fielding, Mr P Grove, Mr S Howarth, Mr A Lovegrove, Mr R J Phillips and Ms L Whitehead

Available papers

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 27 September 2019 (previously circulated).

144 Election of Chairman (Agenda item 1)

RESOLVED that Mr R J Phillips be elected Chairman for a four year term of office.

Mr R J Phillips in the Chair.

145 Appointment of Vice-Chairman (Agenda item 2)

No nominations for Vice-Chairman were forthcoming and therefore it was agreed that the Chairman of the Board would liaise with member representatives informally to agree the nomination of a Vice-Chairman for formal ratification at the next meeting.

146 Apologies (Agenda item 3)

None.

147 Declaration of Interests (Agenda item 4)

Mr R J Phillips declared an interest as the Chairman of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme.

Ms P Agar declared an interest as being in receipt of a widow's pension from Mercers.

148 Confirmation of Minutes (Agenda item 5)

RESOLVED that the Minutes of the meeting held on 27 September 2019 be confirmed as a correct record and signed by the Chairman.

149 Pensions Committee - 26 June 2020 (Agenda item 6)

The Board received the Agenda papers and Minutes of the Pensions Committee meeting held on 26 June 2020. Members received a brief summary and commentary on various items considered by the Committee.

The Committee Reports and Minutes were noted.

150 Update on Scheme Advisory Board (SAB) (Agenda item 7)

The Board received an update on Scheme Advisory Board (SAB).

The Chairman of the Board provided a verbal update and made the following points:

- Covid 19 had been a big issue for the SAB and a survey issued to all member funds asking for information about its impact had achieved an 85% return rate. The aim of the survey was to establish the resilience of the funds, to ensure that they were carrying out their work correctly so people were being paid the correct pension. It also aimed at establishing whether there were any cash flow issues amongst employers. This was a particular concern for smaller employers but to date it had not been an issue
- A practitioners Group had been established in order to provide assistance to employers who might be experiencing issues as a result of the Covid 19 pandemic
- The McCloud/Sargeant Judgement – An important aspect of this Judgement for the Board to focus on was the potential administrative strain on the Fund of its implementation as well as ensuring that it was implemented effectively to avoid any potential challenge in the future
- The Board needed to be aware of the implications for the Fund of the cost cap proposed by the Government which related to the apportionment of employer/employee contributions
- The Government was currently consulting on the £95k cap on final pensions. This would not be index-linked and therefore would have implications for an increasing number of employees who reached retirement age
- The Good Governance Project was being progressed which was aimed at improving the governance of the LGPS using examples of best practice
- Responsible Investment had become a major issue for pension fund investment and SAB was providing advice in this respect.

In the ensuing debate the following points were raised:

- In response to a query about the cost implications of the McCloud Judgement, the Chairman advised that the financial strain related to the 10 year rectification period. Initially the Government actuaries had calculated that the strain would be

half a percent of the overall payroll but the Fund's actuary had calculated it to be a third of that at the most. An estimate of the likely strain had already been included in the last Fund valuation. Whilst it was recognised as a pressure on the scheme, it was manageable. The added administrative workload would be the real pressure for this Fund.

The Board noted the update on Scheme Advisory Board.

**151 Business Plan
(Agenda item 8)**

The Board considered the Business Plan.

In the ensuing debate, the following points were raised:

- The Chairman suggested that it might be useful to select issues in the Business Plan and Risk Register and create sub-groups to analyse them in greater detail. He would wish to liaise with the Vice-Chairman to discuss how this could be progressed
- In response to a query about deferred benefits and in particular issues with members joining the Fund, Bridget Clark commented that for joiners, the Fund was reliant on notification from an employer and/or their payroll provider with all the necessary information. Sometimes there was delays in receiving that information. The importance of receiving accurate information was constantly emphasised in communication with employers and was a key area of training
- The sort of property that the Fund was investing in was queried and whether it was linked to major local infrastructure projects. Rob Wilson advised that the original investment target for property and infrastructure had been 5% of overall investment but this had been increased over the years and was set at 20% from 1 April 2020 for the next 3 years. 16% was currently actually invested. Property investments tended not to be local because the aim was to diversify investment. The Fund did have large investments in equity which were volatile but profitable. However, as the Funding level had increased, it had been decided to transfer investment into property and infrastructure to increase the diversification of the fund and with the aim to have like-minded equity returns. There was a mix of residential and other property in the portfolio but fortunately very limited retail investment. Direct property investment had not been explored yet. There was a wide-range of

infrastructure investment including sustainable investment. Property and Infrastructure asset investments did command larger management fees due to their active nature which worked out on average at 1% per annum. It was considered that the benefits of diversification outweighed the management fee and reduced the exposure to risk that equities represented going forward

- The Chairman indicated that this Board might want to examine and challenge the changes to the Fund's investment strategy. Rob Wilson added that the strategy was regularly examined at the Pension Investment Sub-Committee and formally reviewed every three years.

The Board:

- a) Noted the Business Plan as at 7 September 2020; and**
- b) Agreed that the Chairman liaise with the representatives of the member side to nominate a Vice-Chairman for formal ratification at the next meeting;**
- c) the principle of the establishment of sub-groups to examine particular elements of the Business Plan and Risk Register with an open invitation for other Board members to join be agreed; and**
- d) the Chief financial Officer be requested to draw up a list of potential topics for consideration by the sub-groups for ratification at the next meeting.**

**152 Risk Register
(Agenda item 9)**

The Board considered the Risk Register.

In the ensuing debate, the following points were raised:

- Bridget Clark introduced the report and indicated that a sub-group might wish to be established to look at red risks initially and then perhaps amber risks at a later date
- In relation to the risk associated with employers not being able to make their contribution payments, Bridget Clark advised that an annual covenant review had been undertaken to consider the financial information provided by employers and the covenant review was used to inform the Triennial valuation. It also provided an opportunity

for concerns to be raised with individual employers. Despite initial concerns, the Covid 19 pandemic had not impacted on employer payments to date and there had not been any defaults. A monthly newsletter is provided to all employers and Administration Forums were convened throughout the year

- Third tier employers, notably Academies were particularly vulnerable to the impact of the pandemic and their finances. It was important that these funds were monitored closely in the future to avoid default as the cost would be picked up by the Fund
- There was also a danger of cashflow issues arising for smaller employers who could be tempted to fraudulently fail to provide the necessary information. Bridget Clark responded that along with the proactive approach to communication, there was also a reactive element where members notified the Fund concerning a failure to receive pension benefits when they became due
- In response to a query about the impact of home-working on the administration of the Fund, Bridget Clark commented that from 23 March, all bar one member of staff had been working from home. Staff were being consulted regularly from a productivity and well-being perspective and individual contacts were made with more vulnerable members of staff. Members and employers had also been encouraged to use the Pension Fund web site to access information. There was an option to bring people back into County Hall which was being explored with a small number of staff with the majority of staff content to continue home-working. There had been full productivity, with very few delays. There had not, so far, been a spike in the number of recorded deaths notified to the Fund
- It was reassuring that there had been no issues for the Fund relating to the impact of Covid 19. The monitoring of staff well-being was crucial particularly as the winter months approached. Whilst recognising the shift towards home-working, it was important that the work was continued to be agile in nature and that the significance of maintaining communication and camaraderie was recognised
- The Board recognised the good work carried out by staff through this pandemic and the seamless delivery of the pension scheme and that message

should be conveyed to staff. Michael Hudson echoed those sentiments and added that the financial implications of Covid 19 for the Fund going forward would be monitored because issues such as the £95k cap could impact on staff work load and well-being. He would bring the outcome of the staff consultation surveys and actions arising to a future Board meeting.

The Board:

- a) **Noted the Risk Register as at 7 September 2020;**
- b) **Recognised the good work carried out through this pandemic and the seamless delivery of the pension scheme and that message be conveyed to staff; and**
- c) **The outcome of the staff consultation surveys and actions arising be reported to a future Board meeting.**

153 Feedback from events (Agenda item 10)

The Board received verbal feedback from events.

In the ensuing debate, the following points were raised:

- Officers were complemented for the usefulness of induction training for members
- Rob Wilson indicated that individual member training sessions could be arranged on request. Further training sessions and workshops for all members were planned. In addition, all members were invited to LGPS Central seminars.

The Board noted the feedback from events.

154 Work Plan (Agenda item 11)

The Board received a verbal report on its work plan.

In the ensuing debate the following points were raised:

- Rob Wilson indicated that the agenda for this meeting would act as the template for the work plan going forward. Feedback from the Administration Forum would be reported back to the Board on a regular basis. It was important that the Board took a forward-looking approach to assist the Pensions Committee in its decision-making
- The timing of the elections on the membership of the Board and as a result have a negative impact

on the Board's work, particularly the establishment of sub-groups. Michael Hudson noted this concern but commented that he was confident that inroads could be made, given that a number of member and employer representatives were not up for election. It was also about developing the collective learning of the Board as well as the individual. Feedback from members of the Board on the appropriateness of level of the work would be welcomed.

The Board noted its work plan.

The meeting ended at 11.25am.

Chairman