

Pension Board**Friday, 13 November 2020, Online only - 10.00 am**

	Minutes Mr R J Phillips (Chairman), Ms P Agar, Mr P Grove, Mr A Lovegrove, Ms O Fielding, Mr S Howarth, Ms K Wright and Ms L Whitehead
Present: Available papers	The Members had before them: A. The Agenda papers (previously circulated); B. The Agenda papers and Minutes of the Pensions Committee held on 9 October; and C. The Minutes of the meeting held on 18 September 2020 (previously circulated)
155 Private session	Simon Lewis, Committee Officer advised that this meeting of the Board had been scheduled to take place at the same time as a Children and Families Overview and Scrutiny Panel meeting. It was not possible to livestream two meetings at the same time. In these exceptional circumstances and in line with the Terms of Reference of the Board, which did not require meetings to be held in public, the Chairman had agreed that this meeting would be held in private session.
156 Appointment of Vice-Chairman (Agenda item 1)	RESOLVED that Mr S Howarth be appointed Vice-Chairman for a four-year term of office.
157 Apologies (Agenda item 2)	None.
158 Declaration of Interests (Agenda item 3)	Mr R J Phillips declared interests as the Chairman of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme and Chairman of the West Mercia Fire and Rescue Authority. Ms P Agar declared interests as being in receipt of a widow's pension from Mercers and a member of West Mercia Fire and Rescue Authority.
159 Confirmation of Minutes	RESOLVED that the Minutes of the meeting held on 18 September 2020 be confirmed as a correct

(Agenda item 4)

**160 Pensions
Committee - 9
October 2020
(Agenda item 5)**

record and signed by the Chairman.

The Board received the Agenda papers and Minutes of the Pensions Committee meeting held on 9 October 2020. Members received a brief summary and commentary on various items considered by the Committee.

In the ensuing debate, the following points were raised:

- Rob Wilson indicated that since the Committee meeting, the Pension Fund Accounts had been signed off by the external auditor with an unqualified opinion and within the statutory deadline
- Did the problems with the pooling arrangements, as referred to in the Committee minutes, relate to multiple investment manager approach taken by LGPS Central? Rob Wilson advised that the Fund had undertaken due diligence on the three managers appointed by LGPS Central for investment in Emerging Markets under this model. The performance of one of the managers was now undermining the overall performance of the portfolio. Efforts were therefore being concentrated on monitoring the performance of this particular investment manager. A review of LGPS Central was also being undertaken to ensure that they were delivering the products that best suited partner funds. The outcome of this review would be reported to the Pensions Committee and the Board
- It appeared that historically this Fund had had an appetite for risk in terms of its investment approach. Had the Fund ever used a multiple risk manager approach before? Rob Wilson indicated that the Fund had not adopted the multiple manager approach previously because it was of the concern that the poor performance of one manager would impact on the other managers in the portfolio. LGPS Central had to account of the risk appetite of all the partner funds and therefore had adopted the three-manager approach because of the size of the Assets under management and deemed a less risky strategy. The current model would be monitored and if the performance of the particular manager did not improve, consideration would need to be given to press for the adoption of a two-manager approach
- The Chairman of the Pensions Committee indicated that debates continued between partner

**161 Update on
Scheme
Advisory Board
(SAB) (Agenda
item 6)**

funds about the merits of the multiple manager approach. The key issue was to ensure that LGPS Central monitored manager performance. The Fund would monitor LGPS Central's performance and therefore it was important for representatives of this fund to meet Fund managers directly. An open day was being held next week with the Emerging Markets managers and members of the Board were welcome to attend

- The Chairman suggested that a sub-group be established to undertake a "deep-dive" into the pooling arrangements and in particular the approach of LGPS Central given that this Fund had historically been a passive investor and as such returns would take longer to achieve
- Was the threat from the Government to pension funds should pooling arrangements fail as referenced in the Committee minutes, a realistic proposition? The Chairman of the Board responded that the Government had not made any threats at the moment however there was always the idea that if pooling did not work then an alternative approach would be needed. The principle for the establishment of pooling arrangements was that by bringing partner funds together, a better deal could be achieved for all. However, the way in which the pooling arrangements came into existence undermined this tenet with concerns that partner funds were being dictated to by pools.

The Board noted the Committee Reports and Minutes.

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

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

McCloud Judgement

- The Administering Authority (AA) was now required to gather all the information of those employees affected during the 10-year period from 1 April 2012 until 31 March 2022 including employees who had left the Fund or died. This was a significant amount of work and it was vital to ensure that the AA had the necessary capacity and procedures in place. It was important for the Board to be assured that this work was being achieved

- Bridget Clark added that it would be necessary for the AA to look at past and future information over the 10-year period. The work would take a long time to complete. The AA would need to assess the best way of accessing key information. The matter was complicated by employers utilising different payroll providers over this period
- In response to a query, Bridget Clark indicated that as part of this process, employees would be advised of the recalculation of their pension as a result of McCloud judgement and would be provided with two pension offers with or without the CARE adjustments

£95K exit cap

- The Government had introduced legislation relating to the £95K exit cap on 4 November with regulations intended to be released in the new year. This had placed funds and members retiring during this interim period in a difficult legal conundrum. SAB was providing advice to funds to help them make the right decisions
- Bridget Clark explained that the impact of the legislation on the AA was being assessed. It was not possible for the AA to provide advice to members/employers, but the AA could ensure that members were aware of the change and notify employers where to seek advice. The Board would be kept updated on this issue

Other issues

- SAB still intended to carry out its good governance project work with the aim of bringing consistency to reporting, KPIs and the role of the Chief Financial Officer. It was intended to report the outcome of this work to the next SAB meeting in February
- A survey of all pension funds was being undertaken with the aim of assessing progress on all the key issues affecting them
- The Government was introducing a Pension Schemes Bill which, if approved, would require all private funds to take account of climate change and be carbon neutral by 2050. In time, this would impact on public sector funds and concerns had been expressed about the Government dictating policy to pension funds
- SAB had created an A-Z directory to provide guidance to funds with regard to Responsible Investment
- The Government had introduced regulations for

**162 Business Plan
(Agenda item 7)**

employee exits from the scheme. As part of these regulations, the employer could be responsible for paying the full actuarial strain which could be an issue for smaller employers unable to afford the costs.

The Board noted the update on Scheme Advisory Board.

The Board considered the Business Plan.

In the ensuing debate, the following points were raised:

- In response to a query about the work associated with impact of Brexit on European pension fund members, Bridget Clark advised that there were not many pensioners within this Fund impacted by the Brexit legislation, but she would circulate the exact number. In each case the AA would write to the pensioner's bank to seek clarification that the bank could continue to receive payments post Brexit
- In response to a query, Bridget Clark confirmed that there had not been any spike in the number of member deaths during recent months despite the Covid 19 outbreak. In addition, there had been little impact from the pandemic on AA staff especially now that nearly all staff worked from home
- Was the AA's work in relation to the GMP rectification on target for completion? Bridget Clark advised that a dry run of the rectification arrangements was underway. The work was on target for completion by the end of the financial year. Any key decisions would be made by the Pensions Committee
- Bridget Clark undertook to circulate information about progress in relation to the survivor benefits for opposite-sex widowers and surviving male civil partners. She added that there were other legislative changes being introduced by the Government which would need to be risk-assessed and resources allocated
- The new pension newsletter was very informative and well-written
- Did the AA liaise with other funds to establish best practice? Bridget Clark indicated that the AA liaised with seven other authorities particularly in relation to Annual Benefit Statements. The AA also liaised with the Pensions Officer Group. In addition, the management team met on a regular

basis to review performance.

The Board:

- a) Noted the Business Plan as at 5 November 2020;**
- b) Recognised the capacity issues faced by the AA through the Covid 19 pandemic and applauded the good practice being carried out; and**
- c) Agreed that sub-groups be established to undertake a “deep-dive” exercise into the following topics: GMPs, McCloud, Public Sector Exit Payment, the Pensioners Regulator and Pooling, in particular the performance of LGPS Central. The Chairman and Vice-Chairman to make the necessary arrangements to establish these sub-groups in liaison with officers.**

**163 Risk Register
(Agenda item 8)**

The Board considered the Risk Register.

In the ensuing debate, the following points were raised:

- In response to a query about the impact of the Covid 19 outbreak on data quality, Bridget Clark indicated that there had not been any incidents of late payments or employers unable to pay contributions
- The Chairman of the Pensions Committee added that the Committee had requested a review of Risk Reference WPF 08 to make the risk associated with the failure of LGPS Central to meet its performance targets more explicit
- In response to a query about the robustness of data, Bridget Clark commented that the AA was in the early stages of assessing data quality and running reports in relation to the McCloud judgement. She was confident with the robustness of the data received from the larger employers but some of the smaller employers required extra work. The AA was working closely with the actuary on this matter. The Board would be kept up to date on progress. Two additional members of staff had been employed to help with this work as well as with the GMP rectification and the exit cap provision.

164 Feedback from events (Agenda item 9)

The Board:

- a) **Noted the Risk Register as at 5 November 2020; and**
- b) **Recognised the concentrated efforts over the next few months and risks to the Admissions Authority associated with addressing risk references WPF 24 - Employers having insufficient skilled resources to supply our data requirements, and WPF 30 - Failure to maintain the quality of our member data.**

The Board received verbal feedback from events.

In the ensuing debate, the following points were raised:

- The Chairman reported that very useful meetings had been held on a virtual basis with other Pension Board Chairmen. These meetings were being held on a six-monthly basis, but it was intended to meet quarterly in the future
- A Board member indicated that she had attended a recent seminar on Climate Change and would make a summary outline available to all Board members for information
- The Chairman highlighted the Administration conference that would be held next week.

The Board noted the feedback from events.

165 Forward Plan (Agenda item 10)

The Board received a report on its work plan.

In the ensuing debate, it was recognised that the work load for the meeting of the Board on 26 February 2021 was considerable. The Chairman and Vice-Chairman would therefore liaise with officers to consider ways to address this issue.

The Board noted its work plan.

The meeting ended at 11.20am.

Chairman