

Minutes of the Pension Board

County Hall, Worcester

Tuesday, 22 November 2022, 2.00 pm

Present:

Cllr Roger Phillips (Chairman), Bridget Clark, Cllr Paul Harrison, Lucy Whitehead and Kim Wright

Also attended:

Councillor Elizabeth Eyre, Chairman of the Pensions Committee was also in attendance.

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 13 October 2022 (previously circulated); and
- C. The Minutes of the meeting held on 5 October 2022 (previously circulated).

263 Apologies (Agenda item 1)

An apology was received from Andrew Lovegrove.

264 Declaration of Interests (Agenda item 2)

Cllr Roger Phillips declared an interest as the Chairman of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme.

Cllr Paul Harrison declared an interest as a beneficiary of the West Midlands Pension Fund.

Bridget Clark declared interests as a retired member of Worcestershire Pension Fund, employed in another regional local authority (Dudley MBC) with

responsibility for the pensions team, and working as a consultant for LGPS appeals.

265 Confirmation of Minutes (Agenda item 3)

RESOLVED that the Minutes of the meeting held on 5 October 2022 be confirmed as a correct record and signed by the Chairman.

266 Pensions Committee - 13 October 2022 (Agenda item 4)

Noted.

267 Update on Scheme Advisory Board (SAB) (Agenda item 5)

The Chairman provided the Board with a verbal update on Scheme Advisory Board (SAB).and the following points were made:

- The outcome of two Government consultations on pooling and good governance were awaited
- Climate change reporting – SAB had the difficult task of collating climate change information from 86 pension funds. Climate change reporting was improving but there was a long way to go and it was important to manage expectation levels
- Private sector pension funds had been particularly negatively impacted by recent market conditions. The impact on public sector pension funds had been limited but public sector funds should seek to understand whether there were lessons to be learned
- SAB had become aware that some funds were reducing employer contribution rates. SAB had issued guidance to pension funds that this was not a good idea.

The Board noted the Scheme Advisory Board update.

268 LGPS Central Update (Agenda item 6)

The Board considered the Local Government Pension Scheme (LGPS) Central Update.

In the ensuing debate, the following points were raised:

- It was important for this Board to monitor the performance of LGPS Central to ensure that the required returns on investment were met
- The Fund's investment in Life Funds fitted in with the principals of pooling through collaborative working and reduced costs. Investment in Life Funds as a form of pooling was an issue being discussed with the Government. Rob Wilson responded that LGPS Central had offered to look after this particular mandate but this would not have been cost effective for the Fund

- The great benefit of working with LGPS Central was the availability to the Fund of expertise and knowledge in relation to RI which would be very costly to get elsewhere.

The Board noted the Local Government Pension Scheme (LGPS) Central Update.

269 Pension Fund Annual Report for the year ended 31 March 2022 (Agenda item 7)

The Board considered the Pension Fund Annual Report for the year ended 31 March 2022.

In the ensuing debate, the following points were made:

- The Fund was a public sector fund and the annual report was a public document therefore it was important to get it right. It was an impressive document which had taken a considerable amount of time to put together
- The continued improvement in the quality of data was good to see and the team should be thanked for their efforts
- Rob Wilson commented that he was always looking to improve the Annual Report and make it as user-friendly as possible. He welcomed any suggestions to improve the Report.

The Board noted the Pension Fund Annual Report for the year ended 31 March 2022 and in particular highlighted the improvements in data quality and transparency of the administration and management costs.

270 Actuarial Valuation Update (Agenda item 8)

The Board considered the Actuarial Valuation Update.

In the ensuing debate, the following points were made:

- In response to a question in relation to investment strategies, Rob Wilson explained that the majority of employers had been allocated to the Growth Strategy. Where there was a perceived covenant or funding risk, an employer would be allocated to the Medium Strategy which would provide less return for the employer but a degree of steadiness to enable the employer to meet contributions going forward. Only 30/2040 employers had been allocated to the medium strategy
- The amount of employer engagement by the Fund was welcomed, particularly for those employers most at risk
- The Chairman commented that SAB had made it clear that employers should not be reducing contributions because of the impact on future rates/risks. It was better to maintain a consistent contribution rate rather than lower and then raise rates at a later date
- In response to a query about the impact of a reduction in active membership and the increase in people living longer, Rob Wilson

indicated that Hymans had been engaged to review the Strategic Asset Allocation and Mercer, the Fund's actuary had been consulted. They had concluded that the Strategy met the needs of the Fund. Cashflow had been identified as a key issue with the 100% funding rate and therefore it was important that the Fund reached the rate of return set by Mercer

- It was queried how the Fund engaged with parish councils and whether any notifications should be sent to the Chair rather than the clerk of a parish council on the basis that the clerk was a member of the Fund and therefore a vested interest. In response, it was commented that the Fund was required to communicate with the parish clerk as the statutory officer.

The Board noted the Actuarial Valuation Update and welcomed the amount of employer engagement in the valuation process.

271 Business Plan (Agenda item 9)

The Board considered the Business Plan.

In the ensuing debate, the following points were made:

- Richard Sultana, Head of Pensions Administration indicated that since the publication of the report, a further two Internal Dispute Resolution Procedures (IDRPs) had been received. The way in which IDRPs were being administered and communicated would be reviewed. He also set out details of how the administration and reporting of KPIs would be reviewed, the approach taken to opt outs, the soft market testing as part of the procurement of a new IT system, the efforts being made to address staff capacity and coverage in the Pension Fund Administration Team, and changes to the administration arrangements for member deaths
- It was suggested that the Head of Pensions Administration contact Human Resources to help arrange a staff recruitment campaign
- In response to a query, Richard Sultana explained that the team operated a hybrid model of working whereby there was a balance of people working from home and in the office. There was a limit on the number of staff able to work in the office due to desk-sharing arrangements at County Hall, Worcester
- The Board always took the issue of staff capacity seriously and it was good to see that the Fund was looking to promote internally wherever possible as it helped with recruitment and the establishment of career pathways
- The introduction of hybrid working was a key element in attracting staff to the administration team in the current job market
- In response to a query, Richard Sultana explained that the Fund was required to provide details of the number of 50/50 members over a 5-year period. There was a KPI for 50/50 membership which was continuously monitored.

The Board noted the Business Plan and welcomed the efforts being made to address staff capacity and coverage in the Pension Fund Administration Team and the changes made to improve the administration/communication arrangements for dealing with the death of a member.

272 Governance Update (Agenda item 10)

The Board noted the Governance update.

273 Risk Register (Agenda item 11)

The Board considered the Risk Register.

In the ensuing debate, the following points were made:

- Had any GDPR issues arose as a result of the recruitment of a number of new members of staff? Richard Sultana responded that GDPR had been included in the mandatory training for all staff and very few breaches had been reported
- In relation to a question about the implications for confidentiality of staff working from home, Richard Sultana indicated that there were secure systems in place to protect the confidentiality of information whether they worked in the office or at home
- The inclusion of the new risk relating to inflation was noted.

The Board noted the Risk Register.

274 Training Update (Agenda item 12)

The Board considered the Training Update.

In the ensuing debate, the following points were made:

- Richard Sultana commented that a 12-month training plan would be introduced so members would be able to see future training events. In addition, it was intended to recruit to the position of training officer for the Fund
- The Chairman indicated that the LGA had provided a number of training courses which might be useful for Board and Committee members
- The lack of employer understanding of the workings of the Pension Fund remained a cause of concern. The proposed recruitment of a training officer would help to address any gaps in knowledge.

The Board noted the Training Update.

275 Forward Plan (Agenda item 13)

The Board noted the Forward Plan.

The meeting ended at 3.25pm.

Chairman