

## **Minutes of the Pension Board**

### **County Hall, Worcester**

**Wednesday, 5 October 2022, 2.00 pm**

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#### **Present:**

Cllr Roger Phillips (Chairman), Bridget Clark, Odette Fielding  
Cllr Paul Harrison, and Andrew Lovegrove

#### **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 28 June 2022 (previously circulated); and
- C. The Minutes of the meeting held on 7 June 2022 (previously circulated).

#### **249 Apologies (Agenda item 1)**

Apologies were received from Lucy Whitehead and Kim Wright.

#### **250 Declaration of Interests (Agenda item 2)**

Cllr Roger Phillips declared interests 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.

## **251 Confirmation of Minutes (Agenda item 3)**

**RESOLVED** that the Minutes of the meeting held on 7 June 2022 be confirmed as a correct record and signed by the Chairman.

## **252 Pensions Committee - 28 June 2022 (Agenda item 4)**

With reference to the item on the Pension Investment Update, Rob Wilson, Finance Manager – Pensions and Treasury Management, Finance explained that although the markets were very volatile at present, it should be noted that the Fund took a long-term view to investment. The key aspect at present was to ensure that the Fund's current investment position was managed and the funding level was monitored.

Rob Wilson explained that the Pension Fund Statement of Annual Accounts had been completed to the satisfaction of the external auditor. The confirmation of the completion of the Council's Statement of Accounts was awaited before final sign-off by the external auditor.

## **253 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 Government had recently issued a consultation paper on climate change reporting. No great surprises were forthcoming in the document. The key issue to be addressed was how to get consistency in report monitoring
- The Government consultation on Levelling Up and Pooling was ready for release but had been delayed
- SAB had commented on the SAA that although there was a current period of market volatility, the majority of funds were fully funded. Therefore, given the potential for future increased costs, SAB's advice to funds was not to reduce employer contribution rates during this volatile period
- The Government would be releasing a consultation document on good governance in the new year
- The Department for Education had recently released guidance to funds advising on appropriate actions that could be taken in response to an academy going bankrupt
- SAB was currently undertaking a piece of work on workforce issues. SAB had identified that significant changes had taken place in the employment market and recognised the importance of the need for funds to monitor and develop their workforce.

**The Board noted the Scheme Advisory Board update.**

## **254 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:

- Rob Wilson indicated that the present forecast level of pooling for this Fund at the end of 2025 was 38% which was the lowest rate amongst the 8 partner funds within LGPS Central. However, the Fund had previously agreed a separate investment approach in 2015 before pooling was in place with a number of LGPS Central partner funds through Legal and General which, if accepted by the Government as pooling, would take the level up to 62%
- The Chairman indicated that the Government was very keen to accelerate pooling arrangements. The Legal and General agreement would make a big difference to this Fund's pooling level and fitted in with the principals of pooling and therefore should be included in the Fund's pooling return. It was important for the Fund to align itself with the proposals for pooling set out in the Government's consultation document. He also emphasised the importance of the Board Chairs meeting up on a regular basis to share information and best practice
- In response to a query, Rob Wilson confirmed that although LGPS Central still had some staffing vacancies, they were not in key positions.

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

## **255 Business Plan (Agenda item 7)**

The Board reviewed the Business Plan.

Richard Sultana introduced the report and provided an update that a further IDRP had been received, the details of which would be reported to the next Board meeting. The Fund's KPI targets were being reviewed and the member's experience at the point of contact was being examined. All employee annual benefits statement had been delivered on time. The latest employer newsletter had reaffirmed the importance to employers of completing and returning the McCloud checklist/declarations form. In future, all management goals would be assigned a specific objective for appraisal that would be in line with the Business Plan. This would enable the Board to understand the progress made with tangible outcomes.

In the ensuing debate, the following points were made:

- The Chairman noted that it was important to record that all the annual benefits statements (ABS) had been delivered on time despite the difficulties experienced in the post-covid world
- In response to a query, Richard Sultana explained that the receipt of "not known at this address" responses had been highlighted as a key area to address in terms of the roll out of the ABS. The Fund utilised a

tracing company to tackle this issue. It was important that member information was kept up-to-date. The Chairman added that the Fund's records reflected that the overall number of members joining the Fund was declining

- Had the Fund looked at the diversity of its active membership for example looking at protected characteristics? Richard Sultana responded that he was keen to allocate more resources to fund engagement with members. A clearer picture of the diversity would allow the Fund to tailor its communication approach to improve engagement with a wider range of members
- In relation to a query about missing member information, Richard Sultana indicated that the Fund did not have contact details for approximately 3k members, albeit for many of these, the amounts involved tended to be small. This would be a key area of focus going forward, using the national database to gather data
- Richard Sultana explained that an integrated skills matrix for technical competency was being introduced which would enable the service to be able to identify areas where administration staff required or would benefit from training
- Was any information gathered on members who were in employment but had decided to defer their contributions, possibly because they could not afford the contributions in the current financial circumstances? Richard Sultana responded that this had been identified as an issue. The key aspect was to communicate with members (and employers as the conduit) on the benefits, including the employer match funding as well as the importance of remaining in the Fund so that members could make the right financial decision for themselves
- A lot of employees did not realise that their contribution was match-funded by their employer. Were the trade unions engaged on this matter? Richard Sultana confirmed that engagement with trade unions was part of the workforce strategy. Odette Fielding confirmed that trade unions encouraged their members to join the Fund and also encouraged members to invite colleagues to join
- The danger was that members saw the financial benefits of a colleague opting out of the Fund and the issue gathered momentum through word of mouth. In response, it was commented that it would not be possible for the Fund to find this level of information within individual teams however monitoring the movement of members would give the Fund a better chance of identifying the need for more engagement
- Richard Sultana explained that the Fund used the Insights software to track trends and the Fund worked with employers to establish where opt outs or 50/50 applications were occurring. He would provide the Board with more information about the level of opt-outs and the plans to pre-empt them.

**The Board noted the Worcestershire Pension Fund (WPF) Business Plan as at 26 August 2022.**

## **256 Governance Update (Agenda item 8)**

The Board reviewed the Governance Update.

In the ensuing debate, the following points were made:

- Richard Sultana commented that the revised pensions administration staff structure would be presented to the next Board meeting. He would also be able to give an update at that point as to how the revised structure had positively impacted on the work of the service
- The guidance provided on cyber security for the Board/Committee members set out in the report was welcomed
- In relation to the staff structure, it was important to develop the Fund's own staff because the loyalty of staff was a key aspect in the success of the service. Richard Sultana added that he would like staff to attend Board/Committee meetings so that they understood how decisions were made
- In relation to a query about apprenticeships and the importance of developing the Fund's own staff, Richard Sultana commented that the training needs of each officer was identified in order to develop a clear career pathway. The development of staff had been identified as an important factor in staff retention.

**The Board noted the Governance Update.**

## **257 Worcestershire County Council Pension Fund Administration Budget Forecast Outturn 2022/23 and updated Indicative Budget 2023/24 to 2025/26 (Agenda item 9)**

The Board reviewed the Worcestershire County Council Pension Fund Administration Budget Forecast Outturn 2022/23 and updated Indicative Budget 2023/24 to 2025/26.

In the ensuing debate the following points were made:

- Pension investment managers were required to sign up to a code of transparency which had led to greater clarity as to the exact cost to the Fund of individual investment transactions. Rob Wilson commented that the code had helped provide the Fund with the impetus to drive down costs through negotiation with managers
- Now that the Fund was potentially looking to withdraw its equity protection strategy, was it appropriate to refer to it in the forecast outturn and would there need to be a change to the Note? Rob Wilson advised that there could still be an opportunity to utilise equity protection in the future so the reference was valid however the Note would need to be changed.

**The Board noted:**

- a) **the variations to the Pension Fund Administration Budget, including manager fees, for 2022/23 shown in the Appendix totalling £21,015,140; and**
- b) **the proposed Investment Managers Fees budget forecast outturn of £18,674,400 as shown in the attached Appendix. This would result in an overall proposed 2022/23 forecast overspend of £633,460.**

## **258 UK Stewardship Code 2021 Submission (Agenda item 10)**

The Board reviewed the UK Stewardship Code 2021 Submission.

In the ensuing debate, the following points were raised:

- The Chairman acknowledged the significant amount of work that went into achieving this standard and the benefit it provided in terms of bolstering the integrity of this Fund. Only 15 other LGPS funds in the country had achieved this standard. He thanked Rob Wilson and his pension team for their work on behalf of the Board
- Rob Wilson explained that the Fund had received significant support from LGPS Central, particularly through their Responsible Investment team to achieve this standard. None of the partner funds apart from the West Midlands fund in LGPS Central had achieved the standard at this stage. Members of the Fund had been sent a questionnaire about their thoughts on Responsible Investment and he would report the findings to the Board in due course.

**The Board noted the successful feedback from the Financial Reporting Council (FRC) for the Fund's 2021 Stewardship Code application submitted on the 30 April 2022.**

## **259 Actuarial Valuation Update (Agenda item 11)**

The Board reviewed the Actuarial Valuation Update.

In the ensuing debate, the following points were made:

- Rob Wilson indicated that Mercer, the Fund's actuary would be taking a long-term view of the impact of inflation on the Fund as part of their SAA findings
- The Chairman emphasised the importance of not reducing employer contribution rates at this time. A steady and prudent approach was needed. Smaller employers needed to understand the importance of this approach in such a volatile market.

**The Board noted the preliminary results of the provisional 2022 Actuarial Valuation.**

## **260 Risk Register (Agenda item 12)**

The Board reviewed the Risk Register.

In the ensuing debate, the following points were raised:

- Richard Sultana indicated that insufficient resourcing for the Fund had been identified as a key red risk. The matrix reporting system had helped to identify that the administration service had lost considerable experience as key members of staff had left the organisation. The task now was to reduce that risk which would take time. The Board would be kept up to date on progress
- Richard Sultana explained that the procurement of a new pension administration software system had been commenced. He would keep the Board updated on progress
- In response to a query about the resourcing of the upgrade of the administration system, Richard Sultana commented that the budget for the Pensions Administration System was set pre-his arrival, and Insights upgrades had been accounted for. For clarity, the procurement process that was being undertaken now in retendering for the whole Pensions Administration and Payroll software was going to be completed by the administration team within current budget, with the assistance of the internal procurement team. There was a risk that if the Fund had to move suppliers following the exercise there might be additional costs incurred. These risks will be updated next meeting to reflect progress on the procurement exercise
- Would the Fund's systems provide adequate protection against ransomware and was information adequately backed up? Richard Sultana explained that the Fund's IT security system was hosted by Heywoods. Heywoods had recently undertaken a review of the system following the outbreak of the war in Ukraine. In addition, Heywoods took extracts of data from time-to-time and a back-up of data was maintained. The Fund also received support from the Council's IT service. Cyber security risks had been incorporated in the risk register.

**The Board noted the August 2022 WPF Risk Register.**

## **261 Training Update (Agenda item 13)**

The Board reviewed the Training update.

Richard Sultana introduced the report and indicated that work was underway to build on the existing training offer to members and to increase participation. As part of that work, it was intended to consult with Board/Committee members on their training needs.

**The Board noted the Training update.**

## **262 Forward Plan (Agenda item 14)**

**The Board noted its Forward Plan.**

The meeting ended at 3.20pm.

Chairman .....