

Minutes of the Pension Board

Council Chamber, County Hall, Worcester

Tuesday, 6 June 2023, 10.00 am

Present:

Cllr Roger Phillips (Chairman), Bridget Clark, Cllr Paul Harrison, and Cllr Tony Miller

Also attended:

Cllr 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 meeting held on 22 March 2023 (previously circulated); and
- C. The Minutes of the meeting held on 3 March 2023 (previously circulated).

292 Apologies (Agenda item 1)

Apologies were received from Andrew Lovegrove and Adam Pruszynski.

293 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, working as a consultant for LGPS appeals and her husband being a member of Worcestershire Pension Fund.

294 Confirmation of Minutes (Agenda item 3)

As the meeting was inquorate, it was not possible to approve or sign the Minutes of the meeting held on 3 March 2023.

295 Pensions Committee - 22 March 2023 (Agenda item 4)

Noted.

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

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

- A number of governmental reports remained outstanding including amongst others, McCloud, Climate reporting, and pooling. A meeting between representatives of SAB and the Minister for Levelling Up, Housing and Communities had been arranged to take place next week and hopefully a clearer picture of the timescale for these reports would emerge
- It was a particular concern that government guidance on pooling had been delayed. In the meantime, it was important that the pensions sector sought to address the issues that were likely to be covered in the report
- There appeared to be a lack of awareness of the Code of Transparency amongst Pension Boards and Pensions Committees nationally. SAB had therefore arranged a series of awareness-raising sessions
- SAB had been making representations to the Government expressing concern about the practicalities and issues associated with the request by the Transport for London pension scheme to join the LGPS
- The SAB Annual Report would be published next month.

In response to a query, the Chairman explained that the main cause of concern expressed by SAB associated with the Transport for London pension scheme was the potential reputational harm to LGPS, given the poor financial position of that scheme. He stressed that there should not be any direct impact on this Fund.

297 LGPS Central Update (Agenda item 6)

Sherief Loutfy, Head of Pension Investments, Treasury Management & Banking introduced the report and provided the following updates:

- The LGPSC Emerging Markets Fund remained 'on watch'. LGPSC had undertaken a 3-year review of the Fund and were currently looking to appoint a fund manager. This Fund had been invited to attend the due diligence appointment arrangements as an observer
- No timeframe had been provided by LGPSC for the recruitment process to replace their Chief Executive Officer (CEO)

- LGPSC had requested that the term of office of the current Chairman Joanne Segars be extended for a further two years which would result in her serving for the maximum permitted overall term of office of nine years
- LGPSC had now appointed to the positions of Head of Stewardship, Stewardship Analyst and Client Relationship Manager. 77/87 posts had now been filled within the organisation
- The staff turnover rate at LGPSC had improved from 30% to 21%.

The Chairman of the Board welcomed the strengthening of the elements relating to modern slavery and biodiversity within the ESG themes of the Responsible Investment framework. The expert advice provided by LGPSC had been helpful in this respect. He also welcomed the improved engagement with this Fund by LGPSC, in particular noting the observer role of the Fund in the due diligence arrangements for the appointment of the Emerging Markets Fund manager. He expressed concern about the turn-around of CEOs since the inception of the pool and the impact this had on the pool itself and recruitment of staff. Although the recruitment of staff had improved, the vacancy rate was still higher than ideal. He confirmed that meetings of the partner fund Board chairs were now regularly taking place in Wolverhampton.

In the ensuing debate, the following points were made:

- The inclusion of modern slavery as an ESG theme was welcomed
- The level of turnover of CEOs since the inception of the pool would have a reputational impact on the pool. Stability at the top of any organisation was vital. Sherief Loutfy responded that this concern had been raised by partner funds with LGPSC. There was a concern amongst partner funds that the lack of stability was associated with the culture created under the current chair of the pool. It would be beneficial to arrange a meeting between partner funds and the Non-Executive Director to provide an independent assessment of the culture of the pool
- Staffing levels remained a concern and assurance was needed from LGPSC that resources set aside for staffing were not being diverted elsewhere within the finances of the pool
- Although LGPSC had improved its engagement with partner funds, more work still needed to be done
- In response to a query about exit interviews, Sherief Loutfy indicated that he would enquire as to whether LGPSC conducted any form of exit interview or form completion for employees leaving the pool
- It was queried whether there was any issue with the interviewing processes used by LGPSC that might have impacted on staff retention. Sherief Loutfy responded that LGPSC had given assurances that their interview processes were robust. The main reason given by LGPSC for staff leaving had been issues associated with staff performance
- The current employment market was very competitive and it was queried whether the location of the LGPSC headquarters in Wolverhampton had impacted on the ability of LGPSC to attract staff. Sherief Loutfy indicated that LGPSC had given assurances that the office location was not a factor in staff recruitment.

As the meeting was inquorate, the Board were only able to note the report.

298 Pension Investment Update (Agenda item 7)

Sherief Loutfy introduced the report and indicated that the report should have stated that the overall investment in equities stood at 68.8% not 67.9%.

In the ensuing debate the following points were made:

- The Stewardship Code was a very useful and comprehensive document but would benefit in the future from being made more easily readable with perhaps the inclusion of an executive summary. Sherief Loutfy responded that the next iteration of the Code would be slicker and he hoped to report further at the next Board meeting. He welcomed the technical input from LGPSC in its preparation
- The important role of LAPFF should be noted and in particular its ability to ask the Government challenging questions concerning responsible investment
- It was queried how this Fund's 96% funding level compared to other LPGS funds nationally. Sherief Loutfy responded that the current funding level would put the Fund in the top half of a national table. Investment managers remained gloomy about the performance of the markets albeit there were signs of a slight recovery. In the circumstances, the Fund had done well to achieve a 96% funding level. The key element for the Fund going forward was where the investment level would be at the next valuation. It was impossible to predict but a funding level above 90% would be a positive at that stage.

As the meeting was inquorate, the Board were only able to note the report.

299 Business Plan (Agenda item 8)

Richard Sultana, Head of Pensions Administration introduced the report and indicated that existing workflows and KPIs were being reviewed. In addition, Internal Audit were also undertaking an audit of the processes.

He informed the Board that Amanda Lewis would be retiring from her position of Membership Manager in October 2023. The Board recognised and thanked Amanda for her exceptional work and requested that she be informed accordingly.

As the meeting was inquorate, the Board were only able to note the report.

300 Training Update (Agenda item 9)

Richard Sultana introduced the report. He highlighted the increased level of engagement of the Fund with employers. The recruitment and retention of staff was seen as a priority and efforts had been made to ensure that pensions administration was seen as a viable career by increasing opportunities for

employees to access relevant qualifications. To date, there had been an encouraging take up of these opportunities by staff.

As the meeting was inquorate, the Board were only able to note the report.

301 Risk Register (Agenda item 10)

Richard Sultana introduced the report. He made particular reference to Risk WPF 23 in respect of an employer not being able to make their contribution. At present, discussions were taking place with three housing associations about exiting the scheme through the Debt Spreading Agreement (DSA) arrangements. However discussions were being held with one of the associations pushing for a Deferred Debt Arrangement (DDA) which involved a significant amount of additional legal work.

In the ensuing debate, it was argued that the risks associated with pooling in the Risk Register did not sufficiently address the issues associated with recruitment and retention of staff within LGPSC, particularly at the top of the organisation. These risks should be augmented to fully reflect the potential full impact on the Fund.

As the meeting was inquorate, the Board were only able to note the report.

302 Governance Update (Agenda item 11)

Richard Sultana introduced the report. He highlighted the large amount of work that would be involved in the Pensions Administration Standards association (PASA) accreditation process. The Chairman recognised the importance and benefits of peer review as a means of self-challenge and finding best working practices rather than commissioning a review by an external organisation.

As the meeting was inquorate, the Board were only able to note the report.

303 Forward Plan (Agenda item 12)

As the meeting was inquorate, the Board were only able to note the report.

The meeting ended at 11.50am.

Chairman