

Minutes of the Pension Board

Lakeview Room, County Hall, Worcester

Thursday, 14 March 2024, 2.00 pm

Present:

Cllr Roger Phillips (Chairman), Cllr Paul Harrison, Andrew Lovegrove, Cllr Tony Miller, Bridget Clark and Adam Pruszyński

Available papers

The Members had before them:

- A. The Agenda papers (previously circulated);
- B. The Agenda papers and Minutes of the Pensions Committee meetings held on 13 December 2023 and 31 January 2024 (previously circulated); and
- C. The Minutes of the meeting held on 17 November 2023 (previously circulated).

331 Apologies (Agenda item 1)

None.

332 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.

Bridget Clark declared interests as a retired member of Worcestershire Pension Fund, working as a consultant for LGPS appeals and her husband being a member of Worcestershire Pension Fund.

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

333 Confirmation of Minutes (Agenda item 3)

RESOLVED that the Minutes of the meeting held on 17 November 2023 be confirmed as a correct record and signed by the Chairman.

334 Pensions Committee - 13 December 2023 and 31 January 2024 (Agenda item 4)

Noted.

335 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:

- Representatives of SAB had met the new Minister for Levelling Up, Housing, and Communities (DLUHC). At the meeting, the Minister agreed to an increase in the SAB budget and the provision of an additional member of staff.
- SAB had reviewed the progress on the McCloud judgement. There remained a number of unresolved issues including software and tax liability issues.
- The outcome of the Economic Activity of Public Bodies (Overseas matters) Bill was awaited.
- SAB received an update from DLUHC in relation to the following matters:
 - The Government had expressed a desire to use LGPS funds as a means to fund children's homes. SAB's view was that LGPS funds were not necessarily available for charitable purposes and any such investments must be financial beneficial to the members of the LGPS.
 - DLUHC would be reviewing the annual reporting guidance and PPI update on investment reporting – DLUHC have confirmed that although pooling was not mandatory, there was considerable pressure on funds to do so.
- Pension Regulator Code of Practice – Confusion surrounded the general guidance on this Code and the particular aspects that applied to the LGPS.
- LGPS Code of Transparency – The Code stipulated that investment managers must state clearly and transparently the cost of any potential investment from the outset.
- Gender Pension Gap – There was a stark difference in the amount of pension payments made to female employees, who were mainly in lower paid jobs. It was important to understand the narrative behind this issue.
- Pension General Code - The Code sets out in detail what The Pensions Regulator expected of a scheme that was required to maintain an effective system of governance. The key issue for LGPS was to ensure that Pension Fund audit of Accounts were undertaken separately from local authority audits in the future.

- West Midlands Pension Fund – There had been problems with the new contractors which was a concern for this Fund. It was important to understand any lessons that could be learned.

In the ensuing debate, concern was expressed about the impact of the issues facing Birmingham City Council regarding back pay for employees and how this impacted on the West Midlands Pension Fund. Roger Phillips responded that DLUHC had advised that regardless of these issues, funds had a responsibility to meet pension requirements.

The Board noted the Scheme Advisory Board update.

336 Investment Strategy Statement and Climate Change Risk Strategy Update (Agenda item 6)

The Board reviewed the Investment Strategy Statement and Climate Change Risk Strategy Update.

Sherief Loutfy introduced the report and made the following comments:

- The ESG workshop had been well presented by Pensions for Purpose. The workshop had recognised the Fund's ESG successes and its value to Fund members. It also recognised the importance of not being pressured into setting Net Zero targets without the availability of quality data. It was also acknowledged that although the Fund did not have an explicit policy on Impact Investing, it did have a good track record of investments of this kind. Over the next 12 months, the Fund should consider reviewing its climate change targets, setting a Net Zero target as well as pursuing impact driven investments as a concept.
- The Climate Risk Report - It was pleasing that the Weighted Average Carbon Intensity for the Fund had reduced by 32% and was now 40% below benchmark. Discussions had been held with Hymans Robertson explore the commission of climate change scenario analysis, previously carried out by Mercers, to address the one of the recommendations in the report, including the consideration of setting a Net Zero Target.

In the ensuing debate, the following points were made:

- The approach taken by the Fund in relation to Impact Investment was welcomed. It was an area that was developing all the time and reporting arrangements would continue to improve. It enabled the Fund to show its commitment in this area to employees. The Fund would continue to be sensible and cautious in its approach to this type of investment.
- The work of the RI team at LGPS Central in supporting the Fund with ESG advice should be acknowledged.
- There was a danger that focussing on ESG issues could detract from achieving value for money for the Fund. The Chairman responded that because the Fund was taking ESG more seriously, it needed to be careful to ensure that investments were genuine and not examples of green-washing. The general view of employees and employers was that

ESG was an area that they would wish the Fund to concentrate on. The Fund was being suitably cautious in setting ESG targets.

- It was queried whether investment in Hydrogen Fuel Cells would be a good example of Impact Investment. Sherief Loutfy advised that it could be, especially if this technology led to an accelerated reduction in the use of fossil fuels. Other examples of Impact Investment included battery storage as technological improvements were made in this area.
- Did the Fund specify where appropriate locations for battery storage when investment opportunities arose? Sherief Loutfy responded that these types of issues were raised with investment managers during regular investment update meetings.

The Board:

- a) Noted The Fund's 2024 draft Investment Strategy Statement (ISS) set out at Appendix 1;**
- b) Noted the draft Climate Change Risk Strategy (CCRS) set out at Appendix 2;**
- c) Noted the Fund's ESG Workshop Review on the 8 February 2023 and the recommended outcomes;**
- d) Noted the Fund's 4th Annual Climate Risk Report (Appendix 3);**
- e) Noted the draft 'Task Force on Climate related Financial Disclosures' (TCFD) Report (Appendix 4); and**
- f) Welcomed the recognition at the ESG workshop of the Fund's good track record of Impact Investment and supported the Fund's direction of travel in relation to ESG investments.**

337 Funding Strategy Statement (Agenda item 7)

The Board reviewed the Funding Strategy Statement.

The Board noted the proposed updated Funding Strategy Statement.

338 Risk Register (Agenda item 9)

The Board reviewed the Risk Register.

The Board noted the February 2024 Worcestershire Pension Fund Risk Register.

339 Governance Update (Agenda item 10)

The Board reviewed the Governance Update.

Richard Sultana introduced the report and commented that the Fund was making an active effort to ensure that all discretion policies for each employer had been received, reviewed and recorded. In relation to the TPRs General Code, the Fund was formulating a plan to review the current Governance Library for any gaps, for example in cyber security.

In the ensuing debate the following points were made:

- In response to a query, Richard Sultana explained that work was underway to dissect the TPRs General Code to determine what aspects were public sector appropriate but also in general, whether there were any matters of good practice that could be adopted. The Chairman added that LGPSC could have a helpful role in this process.
- In response to a query, Richard Sultana indicated that the Fund was collating details of those employers who had not had a review of their discretion policy in recent times. An internal review would also seek to ensure that any employer who had not provided an up to date discretion policy would be contacted to do so. A template to assist the process was being developed.
- In response to a query about cyber security best practice, Richard Sultana responded that the Fund had looked at best practice elsewhere in devising its policy on cyber security. In addition, the Fund would ask Hymans Robertson governance service to check that the policy was robust. Emily Stanfield added that the National Cyber Security Centre guidance combined with the County Council's policy had been used as the basis for the formulation of the policy which would be reported to the Board meeting in June 2024.

The Board noted the Worcestershire Pension Fund Governance Update.

340 Training Update (Agenda item 11)

The Board reviewed the Training Update.

In the ensuing debate, the following points were made:

- Sherief Loutfy highlighted the PLSA event in June 2024 as a particularly important and useful event for members of the Board and Committee to attend. Richard Sultana added that this conference and other relevant conferences are on the Training and conference calendars members had access to. A circular would be issued by the engagement team to coordinate who would like to be enrolled on to the PLSA conference.
- The Chairman expressed disappointment at the lack of Committee/Board member attendance at these type of events nationally. The SAB would be presenting its Annual Report to the PLSA meeting in June.

The Board noted the Worcestershire Pension Fund Training Update including the Training Policy and Programme and the Training Plan.

341 Forward Plan (Agenda item 12)

The Board noted the Forward Plan.

342 Exclusion of Public and Press (Agenda item 13)

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 8, 14 and 15 on the grounds that there would be disclosure to them of information relating to the financial or business affairs of any particular person (including the authority holding the information) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Summary of the proceedings of the meeting during which the press and public were excluded. (This is a fair summary of the proceedings.)

343 Business Plan (Agenda item 8)

The Board reviewed the Business Plan.

Richard Sultana introduced the report and made the following points:

- The Fund's KPIs were currently being reviewed to ensure that they were fit-for-purpose and accurately measure the 'members experience'.
- In January 2024, The KPI relating to the processing of joiners notifications of date of joining recorded as 68%. This rose to 98% in February 2024 as the backlog was addressed.
- The KPI relating to the process and payment of refunds had been recorded as 74% in January 2024. This had increased to 90% in February 2024 which should have been 100% but for a mistake in the recording process.
- The KPI relating to the processing of letters detailing transfers out had been recorded as 89%. The performance had been impacted by arrangements made to cover leave commitments.
- Efforts were being made to provide more accurate recording of KPIs, possibly through automation to avoid errors being made and implementation into workflow processes.
- The updated Fund performance for the quarter up to 31 December 2023 was 4.7% which was 0.6% under benchmark.
- The Fund was now receiving better information from the in-house AVC provider, Scottish Widows in a more timely and efficient manner. There remained an issue nationally regarding Scottish Widows reporting mechanisms but communication had improved locally.
- The review of the Annual Benefits Statement had been included in the Business Plan.
- A number of vacancies remained on this Board as well as on the PISC and Pensions Committee. An advertisement had been placed on the Fund website as well as an email sent to members to seek an active member to serve on the Board. Trade unions had been contacted to

seek members to serve as a trade union representative on the Board, Sub-Committee and Committee.

- In relation to member self-service, 17% of active County Council staff and 26% of WCF had signed up to the portal to date following the initial roll out. A dashboard would be brought to future meetings to provide further indication of take-up rates as the portal was rolled out to other members.
- It was aimed to roll out the implementation of I-Connect system to all employers. The system linked employer payrolls with the Worcestershire County Council payroll and provided a double validation of information provided. Fundamentally, it provided more effective collection of monthly data from scheme employers and would support the delivery of the Pensions Dashboard programme in the future

In the ensuing debate, the following points were made:

- The improved communication with Scottish Widows, the findings of the Internal Audit Reviews, the progress of the McCloud Judgement, and progress of the self-service and I-Connect projects was welcomed
- It was likely that the Fund would experience an initial spike in the number of members requesting information as self service was rolled out. It was important that the Fund quelled any member anxiety that there could be a repeat of the pension fund issues facing the West Midlands Pension Fund as a result of the financial difficulties at Birmingham City Council.

The Board:

- a) Noted the Worcestershire Pension Fund Business Plan as at February 2024 together with the Internal Audit Reviews of Pensions Administration and Pensions Investment; and**
- b) Welcomed the improved communication with Scottish Widows, the findings of the Internal Audit Reviews, the progress of the McCloud Judgement, and progress of the self-service and I-Connect projects.**

344 Worcestershire County Council Pension Fund Administration Budget 2024/25 (Agenda item 14)

The Board reviewed the Worcestershire County Council Pension Fund Administration Budget 2024/25.

The Board noted:

- a) The Pension Fund Administration Budget, including manager fees, for 2024/25; and**
- b) The indicative budget allocations for 2025/26 and 2026/27.**

345 LGPS Central Update (Agenda item 15)

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The Board noted the LGPS Central Update.

The meeting ended at 4.05pm.

Chairman