

**PENSIONS BOARD
25 APRIL 2019****NOTES FROM MEETINGS OF LOCAL PENSION BOARD
CHAIRS OF LGPS CENTRAL FUNDS**

Recommendation

1. **The Chief Financial Officer recommends that the Board:**
 - a) **Note and comment on the notes from the meetings relating to the 10 October 2018 and 20 February 2019 of the Local Pension Board Chairs of LGPS Central Funds; and**
 - b) **Note and comment on the example of a Pensions Board Risk Register supplied by Cheshire Pension Fund.**

Background

2. The Local Pension Board Chairs of LGPS Central Funds have a number of meetings to discuss a range of topic areas and have agreed to meet 4 times a year given the increase in pooling arrangements.
3. The Role of Pension Boards was seen as an extension of the requirement to ensure good governance and effective operations of the pool operator by assisting the scheme manager. The Board, therefore, will need to review the approach taken by Funds in monitoring the pool.
4. The notes of these meetings relating to the 10 October 2018 and the 20 February 2019 are attached as Appendix 1 for discussion and comment from the Board.
5. Attached as Appendix 2 is an example of a Local Pension Board specific risk register which has been produced by Cheshire, for consideration as to whether the Board may want to adopt.

Supporting Information

- Appendix 1 Notes from the meetings relating to the 10 October 2018 and 20 February 2019 of the Local Pension Board Chairs of LGPS Central Funds
- Appendix 2 – Cheshire example of Board Risk register

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no further background papers relating to the subject matter of this report.

**Notes from Meeting of Local Pension Board Chairs of LGPS Central Funds
10 October 2018, 11:00am, Mander House, Wolverhampton**

Present: Board Members: Peter Raynes (Cheshire), Ronald Graham (Derbyshire), Cllr Gordon Allcott (Staffordshire), Sharon Campion (West Midlands)
Officers: Heidi Catherall (Cheshire) and Rachel Howe (West Midlands Pension Fund)

Apologies David Jennings (Leicestershire), James Lacey (Nottinghamshire), Mike Morris (Shropshire), Keith Bray (Worcestershire)

1) Structure of Boards

Cheshire: The Board meets 5 times a year, 4 times for “normal” committee meetings and once a year to review the accounts. It was composed of 5 members:

An independent chair (non-voting)

Employer Representative- Councillor from Administer Authority

Employer Representative- outside Employers, currently an Academy Bursar

Two Employee Representatives- currently from Unions and GMB

West Midlands: The Board meets 2 times a year but this was to be increase to 4 times. Given the size and complexity of the fund the board had 12 members:

Six Employer representatives, each representing different classes of employers which includes one elected councillor of the admin authority.

Six member representatives 5 from Trade Unions and 1 elected Cllr from the admin authority

Staffordshire: The Board meets 4 times a year and had 6 members:

Employer representative for District Councils

Employer representative for the Fire and Police Authorities

Employer Representative for Academy Trusts

Employee Representative for Unions

Employee Representative for Staff

Employee Representative from Schools

Derbyshire: The Board Meets 4 times a year and has 5 members:

An independent chair (non-voting)

Employer Representative- Councillor from Derby City Council

Employer Representative- Academies

Employee Representative for Unions

Employee Representative for Staff

2) Working Arrangements of Boards

2.1) Meetings/Minutes: West Midlands and Staffordshire run the meetings as public Council meetings (S101), Derbyshire and Cheshire as Business Meetings. The majority of Boards published minutes on their website. WMPF and Staffs publish their papers in the normal manner of S101 committees, neither noted any papers presented had been exempt under Sch12. Derbyshire and Cheshire have open discussions and see all papers from their Funds, the meetings are closed. In practice part two (confidential business) had not been required.

2.2) Training: All Boards used joint training with Committees. Training was the major expense for the Boards.

To ensure Board members met their duty to be informed on subjects they discussed the Cheshire training plan provides specific training (i.e. on Valuations) prior to the relevant Board meeting. WMPF noted their training plan was created using the CIPFA knowledge and skills matrix.

2.3) Risk Registers: Several Boards had constructed specific risk registers for their own activities.

2.4) Communication with Committees/Administering Authority: Several Boards ran meetings between the Committee and Board Chairs. Board members were allowed to attend Committee meeting as observers. In some cases they were excluded from part two (investment items).

3. Role of the Pension Boards in Pooling

The Role of Pension Boards was seen as an extension of the requirement to ensure good governance and effective operations of the pool operator by assisting the scheme manager. The Board, therefore, will need to review the approach taken by Fund's in monitoring the pool.

Board members, therefore, need to be knowledgeable of the actions of the pool, their approach to ESG in regard to investments and have an understanding of the cost of investment on behalf of the eight funds.

Potentially the knowledge element could be achieved by the Pool presenting to Boards and Committees in a joint session specifically on Governance/ESG issues perhaps annually.

Following this a specific meeting to address issues might be necessary. This would be most efficient if all Board met centrally with Pool Officers.

Staffordshire have summarised their thoughts on the pooling issue in the enclosed document.



Pooling
Monitoring.pdf

4. Current Activities of the Pension Board

The Boards need to have a strong link to SAB, and it is proposed we invite Bob Holloway to the next meeting on Wednesday 20th February 2019.

Boards had worked on a number of topics raise by SAB and the Pension Regulator, i.e. GDPR, MIFID II, Data audits, Specific Risk Registers, Trustees Toolkit (where relevant to Boards role). Cheshire have summarised the Pensions Regulator 21st Century Trusteeship information and toolkit, which is outlined in the document below.



TPR - 21st Century
Trustee Toolkit.pdf

Other topics being addressed were,

- Prompt Payment of Pensions on retirement
- Assisting Academies in dealing with pensions issues linked to the SAB work on academisation review

- Reducing delays in processing case work

5. AOB

Liverpool Pension ran an AGM for Pensioners. Request made to obtain an invitation to the next meeting – Derbyshire to take forward

Next meeting to focus on the SAB and how we could work well with them, Bob Holloway would be invited. WMPF to take forward

Date of Next meeting: Wednesday 20th Feb 2019, 10:00-13:00 Mander House, Wolverhampton

Notes from Meeting of Local Pension Board Chairs of LGPS Central Funds 20 February 2019, 11:00am, Mander House, Wolverhampton

Present: **Board Members:** Peter Raynes (Cheshire), Ronald Graham (Derbyshire), Cllr Gordon Allcot (Staffordshire), Sharon Campion (West Midlands), Keith Bray (Worcestershire) and Mike Morris (Shropshire) and David Jennings (Leicestershire)
LGA/SAB: Bob Holloway
Officers: Heidi Catherall (Cheshire), Rachel Howe and Holly Slater (West Midlands Pension Fund)

Apologies James Lacey (Nottinghamshire)

1) Notes from the last meeting – 10 October 2018

At the last meeting it was suggested that Merseyside PF be contacted to see if they could accommodate some Board members to attend their pensioner member meeting. However, Merseyside no longer run a member meeting.

2) Actions undertaken by Boards since the last meeting

The group discussed the topics that have been considered at their Board meetings in the interim period since the 10 October.

PR advised the group of a LPB specific risk register which has been produced by Cheshire, which other Funds may want to adopt.



Cheshire Pension
Fund - Pension Board

Boards should ensure that the Risk Register is reviewed on a regular basis so that new or changing risks can be captured. This could be achieved by adding an additional column to the register with review dates captured within it.

The group discussed the challenges facing pension boards when members change mid-term and the difficulties in finding suitable replacements. Boards are now staggering terms of office to assist with this issue.

3) Training plans for 2019

The Pensions Regulator's (TPR) Trustee Toolkit was discussed. This is a useful training tool, but only on the basis that those undertaking the training understand that it is targeted at Trustees specifically and so large parts of the training are not applicable to the LGPS.

It was acknowledged that TPR are still 'finding their feet' with regards to the LGPS and are trying to engage more with the scheme via attending various conferences and seminars, and attending individual Fund employer meetings.

BH advised that the Scheme Advisory Board (SAB) are meeting with TPR twice in the next few weeks and will be talking to them about the LGPS.

TPR are also undertaking a 'Perceptions Tracker Survey' where they have commissioned a research company to contact funds and ask questions about their effectiveness.

Board members discussed the various approaches taken to training at different funds.

BH offered to undertake a day's training for the members of the LGPS Central Board's for free in the summer of 2019. This would cover 'what Board members need to know about being a board member'. The date has been agreed as 27 June.

BH invited Board members to develop a summary of the training that they would want and he will then develop a training plan around that.

Actions

- **HC to develop an outline training plan and circulate to Board members for comment**
- **RH/HS – Arrange a venue for the training event**

4) Scheme Advisory Board

The group welcomed Bob Holloway from LGA. Bob outlined the creation of the Scheme Advisory Board which was a result from the Public Service Pension Scheme Regulations 2013.

SAB have two specific functions:

1. Recommend scheme changes to Government – this accounts for 80% of SAB's work
2. Assist and advise scheme managers – which accounts for the remaining 20%

SAB are mindful of the fact that the interaction between Fund's and SAB could be improved and this was simply a practical issue of available resources at SAB.

4.1) Establishing communication between SAB and Local Pension Boards

As BH outlined, SAB are keen to improve the interaction between themselves and Fund's. BH was pleased that the LGPS Central Board Chairs group had been set up and was keen that this model be replicated across all other pools.

If that were to be the case it may then be possible for BH to meet with a representative from each of the pools a couple of times a year, thereby achieving the goal of improving interaction between them and SAB.

This idea is being considered by SAB.

BH also informed the group that the SAB website is being re-designed and this will include consideration of whether a notification system can be included once new documents/information is added. This would then prompt stakeholders to log onto the site to read them.

4.2) Administration Software – National Framework

The founder group for the National Framework for an administration database undertook market engagement sessions with suppliers in January. As part of the overview of the marketing events it was noted that the project had support from MHCLG, Treasury and LGA but SAB were not mentioned.

BH was asked why SAB had not been included and whether they support the project.

BH explained that SAB do support the project but this support is via LGA.

4.3) CIPFA Annual Report Guidance

The CIPFA Annual Report guidance has been updated and will be published in the spring of 2019. The guidance now contains specific disclosures in the administration section which all funds are being encouraged to follow.

BH was asked whether SAB support the drive to standardise disclosures which are aimed at improving transparency across funds in order to allow comparability.

BH advised that SAB do support the approach and have worked closely with CIPFA on the guidance. The CIPFA Pensions Panel are also conserving the viability of introducing a national standard for administration benchmarking.

4.4) MHCLG – Draft Guidance on LGPS Asset Pooling and Responsible

MHCLG have issued draft guidance on asset pooling which includes specific guidance on the role of Local Pension Board (paragraphs 4.5 and 4.6).

BH reminded the group of the journey that has led to this guidance being produced.

In November 2015 DCLG (as they were then known) issued guidance on asset pooling. The guidance wasn't statutory but aimed to set out what funds need to do. It was hoped that all funds would follow this guidance, despite it having no legal basis.

In 2018 MHCLG needed to issue statutory guidance to address some pockets of non-compliance across the LGPS. The guidance 2018 guidance takes the opportunity to remove any confusion and includes a clear summary of roles within pools and funds. Therefore, the guidance now includes definitions.

The 2018 guidance has been issued for consultation and closes on 28 March. BH encouraged the group to respond to the consultation.

There have been some concerns about which powers the guidance has been issued under and whether it is statutory. Regulation 71 of the Investment Regulations 2016 provides the legal framework for the guidance.

The 2018 guidance is intended to replace the 2015 guidance. However, the 2015 guidance was considerably longer and so an exercise is currently underway to see if any relevant information from the 2015 guidance is missing and requires adding into the 2018 guidance.

SAB are meeting with MHCLG to clarify the position on the 21 February.

The 2018 guidance is expected to be published in the summer of 2019.

Responsible Investment

The SAB Investment, Governance and Engagement sub-committee considered a paper on responsible investment, and in particular climate change, at its meeting on 19 September.

BH has been working on this guidance for some time, and it continues to evolve. Funds need to take notice of ESG guidance and improve compliance with the principles of it.

BH is creating three checklists for Fund's to follow which will assist in measuring their compliance, assess their compliance with the law and allow them to be regarded as following best practice. There will also be help and advice on what ought to be included in the Investment Strategy Statement on climate change. The guidance doesn't strictly apply to the LGPS however, SAB believe that Fund's should follow it anyway.

The guidance will be in the form of a broad framework designed to assist the production of responsible investment policies rather than providing specific wording. The guidance will be issued on the SAB website once available.

The ultimate aim is for SAB to assist Funds to:

- Meet their ESG/Responsible Investment responsibilities
- Mitigate any risk of legal challenge e.g. from the likes of Shareaction
- To provide help and support

The guidance is expected to be published in the summer of 2019.

Action

- **Include the role of LPB's in pools as an item for the BH training**
- **The Board Chairs to consider whether they want to issue a joint response to the MHCLG guidance in regard to paragraphs 4.5 and 4.6**

4.5) SAB Letter to TPR – 28 November 2018

SAB has written a letter to TPR on 28/11/2018 in response to the approach TPR had been taking with LGPS Funds. TPR had been visiting funds as a result of the conclusions drawn from their 2017 questionnaire which suggested that the LGPS had not improved year to year when compared to other public sector schemes.

The concern is that the LGPS is unlike any other public sector scheme as it is a funded, multi-employer scheme and so comparison to other schemes will inevitably lead to misleading results.

TPR have visited a number of Funds and, in some cases, have taken enforcement action against them on areas of perceived non-compliance.

TPR have since responded to the letter from SAB and both letters are included below.



SAB Letter to TPR -
28-Nov-18.pdf



TRP Response - Cllr
Roger Philips Respons

SAB have two meetings planned with TPR to start to address some of these issues.

BH also outlined the work that is ongoing on the Good Governance review (formerly known as the separation project). This project originally commenced in 2011 and was looking at issues related to conflicts of interest between administering authorities and Funds i.e. where the Section 151 officer has a dual role for both and therefore can have competing priorities.

KPMG were appointed to undertake the review in 2011 where they explored ways of improving the current legal and governance framework and whether a new type of body (such as a joint committee structure) could be introduced.

With the advent of pooling the project was deferred but has now being looked at again. Hymans Robertson have been appointed to complete a review with an updated mandate. SAB will receive reports on progress over the coming months with an outcome and recommendations expected in the autumn of 2019.

SAB are also liaising with CIPFA on improving the guidance for Chief Finance Officers (Section 151) which still does not contain any requirements to have knowledge and understanding of pensions.

4.6) TPR – Scheme Specific Information

In its 2018 Scheme Return TPR required all Funds to provide data scores for their common and scheme specific data, however, scheme specific data has not actually been defined. As a result funds will have reported on a variety of different bases.

During 2018 BH had attempted to obtain agreement for a template of what information should be classed as scheme specific information, however, no such consensus could be found.

It was understood that this work would continue into 2019 and that LGA/SAB would issue guidance to Funds in time for them to report on this basis to TPR in the autumn of 2019.

BH confirmed that a working party had now been set up to look at this and that a consultation will take place once a template suggested is available.

5) LGPS Central

This agenda item was included for members to raise any other issues relating to LGPS Central. It was determined that all issues had been suitably discussed elsewhere on the agenda.

6) AOB

Date of Next meeting: 9 October 2019, 10:00-13:00 Mander House, Wolverhampton