



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Monday, 3 February 2020.

PRESENT

Mrs. R. Page CC (in the Chair)

Ms. C. Fairchild  
Ms. D. Haller

Ms. R. Gilbert  
Mr. R. J. Shepherd CC

41. Minutes.

The minutes of the meeting held on 2 December 2019 were taken as read, confirmed and signed.

42. Chairman's Announcements.

*Ms. D. Stobbs*

Following her resignation as Substitute Employee Representative, the Chairman and all members of the Board thanked Ms. D. Stobbs for her long-standing commitment and contribution to the Leicestershire Pension Fund as an employee representative since the Board's inception in 2015.

*LGPS Central Conference*

*Chairman's Update*

The Chairman informed the Board of the LGPS Governance Conference that she had attended alongside other members of the Board and the Local Pension Committee. Members were pleased to note that the Fund appeared to be performing well compared to other LGPS funds and that national issues raised at the Conference such as responsible investment, were already being progressed by the Fund.

*Employee Representative Update*

Ms. D. Haller, who was also in attendance agreed that the Leicestershire Pension Fund seemed to be doing particularly well in comparison to other fund's, especially in regard to its work regarding risk management, though it was acknowledged the Fund still had further work to progress.

43. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

44. Urgent Items.

There were no items for consideration.

45. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Mr Shepherd CC declared a personal interest in respect of item 8 ('Risk Management and Internal Controls', minute 49 refers) as a member of the Combined Fire Authority.

46. Draft Responsible Investment Plan.

The Board considered a report of the Director of Corporate Resources on the Responsible Investment (RI) Plan 2020 which set out the Fund's approach to improving its management of responsible investment risks. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

The Director of Responsible Investment and Engagement at LGPS Central was also in attendance and gave the Board a verbal update on LGPS Central's work with the Fund.

The Board was informed that the term 'responsible investment' referred to the integration of financially material environmental, social and corporate governance factors into investment processes. The approach focused on engagement, rather than exclusion. Whereas, ethical investment followed more moral lines which would involve divestment from certain companies due to activities they were involved with. It was noted that disinvestment waived the ability of the fund to influence RI behaviour through stewardship.

Arising from the discussion the following points were noted: -

- i) The Local Pension Committee had approved the RI 2020 Plan at its meeting on 24 January 2020. The Committee would receive reports and updates throughout the year on the Fund's performance in regards to RI to provide a wider oversight of the Fund's activities.
- ii) Currently less than half of LGPS funds had signed up to the UK Stewardship Code 2020. Officers felt that the Leicestershire Pension Fund was broadly compliant, and work was ongoing to ensure full compliance was met. As the Fund was relatively small this would be progressed through working closely with LGPS Central and their inhouse RI Team.
- iii) LGPS Central had four key stewardship themes which each partner fund had agreed to; Climate Change; Single-use plastics; Technology and Disruptive Industries; Tax Transparency and fair tax payment.
- iv) LGPS Central had a greater ability to hold the companies to account than the Leicestershire Pension Fund as a single entity. Pooling of resource enabled stronger engagement, which was further enhanced through LGPS Central's use of Hermes EOS, an active asset manager with a focus on positive engagement and intervention in order to improve RI performance and sustainability.

RESOLVED:

That the Board note the report.

47. Administration Report - October to December 2019 Quarter.

The Board received a report from the Director of Corporate Resources concerning administration of Fund benefits, including the performance of the Pension Section against its performance indicators. Approval was also sought for a revised Administration and Communications Policy. A copy of the report marked 'Agenda Item 6' was filed with these minutes.

Arising from the discussion the following points were made:

- i) The McCloud and Sargeant cases related to the transition protection offered to some members of the final salary schemes that had been ruled as unlawful discrimination by the Court of Appeal. The implications of the cases on the Fund, and the LGPS in general, were unknown. The Board would continue to receive regular updates as part of the usual reporting process.
- ii) The amendment to the Administration and Communication strategy reflected the need to extend the deadline for submitting IConnect data. The extension to the 31 March 2021 reflected the resource intensive nature of the work the Pensions Section and each employer was required to undertake. For future transitions, the Pension's Section would continue to assist Fund employers for the first month but thereafter they would be expected to independently complete the posting cycle.
- iii) Members noted the introduction of a charge of £475 to cover ex-member requests to determine any potential loss of benefits having transferred their pension to another fund. The Director confirmed the charge was only to cover administration costs and was in line with other funds.
- iv) Any outstanding admission agreements would be backdated once the correct documentation from the employers had been received. There had been no cases in Leicestershire where employees had been worse off due to the delay. However, it was agreed it was still pertinent for the Fund to resolve such issues as quickly as possible to reduce any potential risk posed.
- v) Concern was raised regarding the two Beacon Academy cases with contractor's Cleantec and Mellors Catering that had both admission and bond agreements outstanding. The cases had been ongoing since 1 September 2019 despite contact from the Pensions Section regarding the delay. Members were pleased to note since the papers had been circulated that NOVA to Aspens; and Wigston Queen Elizabeth and Regent College to Caterlink had legal documents in place and were close to completion.

RESOLVED:

The Board agreed that the;

- a) Administration and Communication Strategy be approved;
- b) Pensions Manager be asked to write again to Beacon Academy, Cleantec and Mellors Catering expressing the Board's concern regarding the lack of Bond Agreement.

48. Member Self Service.

The Board received a report from the Director of Corporate informing the Board of improvements to the Fund's Member Self Service following previous training. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Board noted that as part of the Pension Section review, the Pensions Manager would be looking to put in place new key performance indicators, including an indicator that could monitor membership of the member self-service portal.

RESOLVED:

That the report be noted.

49. Risk Management and Internal Controls.

The Board received a report from the Director of Corporate Resources, the purpose of which was to detail any concerns relating to the risk management and internal controls of the Fund. A copy of the report is filed with these minutes, marked 'Agenda Item 8'.

The reference to Leicester City Council and De Montford University in Risk 5 "Data not being uploaded in time to meet the Fund's Statutory Obligations" only posed a risk to those two employers, however members were pleased to note progress being made .

The Director reported that Risk 6, "Retaining the Administration of the Firefighter Pension Scheme until December 2020" followed an agreement to extend the administration of the fire schemes while the fire authorities underwent a full procurement process for a replacement administrator. To mitigate the impact on the Pension Section the Fund would receive additional payment from the fire authorities, which would help fund four temporary posts in the Pensions Section..

RESOLVED:

That the Board note the revised risk register of the Pension Fund.

50. Pension Fund - Transfers Out.

The Board considered a report of the Director of Corporate Resources informed the Board of the relevant issues relating to the administering of pension transfers out requests. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

The Board noted that once a member had initially expressed interest to the Pension Section to transfer to a non-public service scheme the Fund would send a letter to the member detailing the benefit of the Local Government Pension Scheme, as set out in the appendices of the report. The Fund would not take any further action until the member contacted them to pursue the matter.

The Director informed the Board that on occasions those requesting a transfer complained with regards to the time taken for the section to conduct the required due diligence to provide sufficient security for members, before a transfer was completed. While there had been no reported cases of transfers to pension scams from within the Leicestershire Pension Fund, there had been instances amongst other funds . The expectations of some members for a fast transfer process placed the Fund in a difficult position. Some authorities had been criticised for not doing enough due diligence and

making payment too easily, while others had been ordered to compensate an individual due to too excessive of checks, which took too long.

The Board recognised the difficult situation, and noted that there had been concerns with some non-public pension service schemes despite them being approved by the Financial Conduct Authority. It was agreed officers would look carefully at what wording could be incorporated to documents such as the Stage 1 letter, and other correspondence to be able to set out time scales, manage service expectations and advise of the Fund's position regarding its due diligence processes.

RESOLVED:

- a) That the report be noted.
- b) That officers look at adding appropriate wording to the documents provided by the Fund in regards to the process undertaken when a member requests to transfer out their pension benefit. .

51. Good Governance in the LGPS.

The Board received a report from the Director of Corporate Resources to make them aware of the publication of the Good Governance in the LGPS Phase Two report. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from the report the main points were as follows:

- i) Chris Tambini, Director of Corporate Resources at Leicestershire County Council was the Fund's Local Government Pension Scheme senior officer.
- ii) The Fund was looking to develop a specific Conflict of Interest Policy, currently the Board and Committee were following Leicestershire County Council's Members Code of Conduct.
- iii) A training policy had been agreed by the Local Pension Committee for the Committee and Board on 27 November and would be progressed throughout the year.
- iv) The Pensions Manager was looking at a revised structure for the Pensions Section which would look to address the recommendations from the Phase Two report and any future guidance provided.

The Board noted that a Phase 3 Good Governance report was expected. Once published the Director would be able to update the Board on its current progress and ongoing work it needed to undertake.

RESOLVED:

That the Board note the Good Governance in the LGPS Phase Two report..

CHAIRMAN

03 February 2020