



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Wednesday, 4 May 2022.

PRESENT

Mrs. R. Page CC (in the Chair)

Cllr. D. Bajaj

Mr. R. Shepherd CC

Mr. M. Saroya

Ms. C. Fairchild

Ms. R. Gilbert

15. Minutes of the meeting held on 16 February 2022.

The minutes of the meeting held on 16 February 2022 were taken as read, confirmed and signed.

16. Question Time.

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

17. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no items for consideration.

18. Declarations of interest in respect of items on the agenda.

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

Mr. R. Shepherd CC declared an Other Registrable Interest in Agenda Item 5 'Pension Fund Administration Report January to March 2022 – Quarter Four' as a member of Charnwood Borough Council that was referenced.

19. Pension Fund Administration Report January to March 2022 - Quarter Four.

The Board received a report from the Director of Corporate Resources on relevant issues in the administration of Fund benefits, including performance of the Pensions Section against its performance indicators. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from the discussion the following points arose:-

- i. Nine out of ten Key Performance Indicators (KPIs) were at, or above, target. It was noted an indicator needed to be at least 5% below target to be rated red.

- ii. The Pension Manager set out the Fund's Value for Money Statement, which valued cost per scheme member at circa £24-25 a year. The Board noted that the cost was built into employer contribution rates and not paid by scheme members. The cost to employers was 0.3% of their contribution rate, which would rise to 0.4% in April 2023. The fee comprised administrative costs, not investment management fees.
- iii. A Member queried if there was benchmarking data available to compare Leicestershire with other LGPS funds. The Pensions Manager informed the Board that there was of yet no agreed benchmarking method across funds, therefore it was difficult to compare with others. It was expected in future a standardised method would be developed compare funds in line with the Chartered Institute of Public Finance and Accountancy guidance.
- iv. The Board were unsurprised that the cost of administration continued to grow given the increased complexity of the scheme, from issues such as McCloud. It was noted the issue was a national LGPS risk, and that the Pension Manager would continue to manage costs where possible.
- v. The Fund's budget remained independent of the Council's budget and was managed separately. The Fund had a standard budget setting cycle that included expected staffing costs, where costs became volatile the officers would increase reporting analysis.
- vi. The Fund had identified circa £10million of the Fund (0.15% of the total fund) had been invested with Russian companies. The Fund had instructed its managers to sell positions where possible, however timing would be dependant upon the restrictions on capital flow in and out of Russia. Furthermore, the Board noted that Russia's 'emerging market' designation had been stripped, so the Fund would not invest in the area in future.
- vii. The Pensions Manager updated Members on the LGPS Scheme Advisory Board (SAB) taking further legal advice over sharia law compliance, following a recent legal opinion that a discrimination claim in an employment tribunal or a broader human rights-based challenge was possible. The Board noted that previous legal advice had advised LGPS funds that they were fully compliant and that the SAB would seek further expert advice and clarification on the matter.
- viii. The Board highlighted their concern in relation to the unsigned admission agreements of LIFE MAT to Total Swim, despite the best efforts of the Pension Section and Legal Services. It was noted that the seven affected members had been written to.

The Chairman and the Board put forward their thanks for the service of two experienced Team Managers who would be leaving the Pensions Section with a combined experience of 60years.

RESOLVED:

- a) That the report be noted.
- b) That a letter expressing the Boards concern be sent to LIFE Mat and Total Swim, in relation to outstanding admission and bond agreements.

20. Continuous Improvements Report.

The Board considered a report of the Director of Corporate Resources providing an update on progress in respect of areas of identified improvement within the Pensions Section. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from the discussion the following points arose:-

- i. Members were pleased to note that following a recent audit of the processes of payments for pensions, lump sums and death grants, substantial assurance had been achieved for the controls in place.
- ii. Aquila Heywood, the Fund's software suppliers, had indicated a new version of the member self-service portal would go live in 2023. The Fund would monitor its progress and look to go live on the new system at an appropriate time. The Board would be kept updated on the matter.
- iii. The Board praised the ongoing work from the Continuous Improvement team and the efficiencies that had been pursued. It was noted the Improvements Team looked to monitor other schemes to follow best practice across the LGPS where possible.

RESOLVED:

That the report be noted.

21. Responsible Investing Update.

The Board considered a report of the Director of Corporate Resources providing an update on Responsible Investment. A copy of the report, marked 'Agenda Item 7' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. Once the Net Zero Carbon Strategy had been developed, following an engagement exercise, the Fund would look to communicate the Strategy, and engage with its investment managers. The Board noted that most of the Fund's managers already expected, and planned, to decarbonise to get to net zero by at least 2050.
- ii. The Fund would look to deliver interim targets as part of the Strategy to ensure that the Fund started to progress towards the target while understanding that currently not all of the Fund's portfolio could be easily measured as yet.
- iii. In response to a question on how going green would affect the Fund, the Director assured the Board that the Fund would not write aspirations into the Strategy that would be at a cost to employers. It was noted that if the Fund were to divest its fossil fuel exposure immediately from the Fund that would be at a detriment to the Fund. Instead, the Fund aimed to pick a trajectory towards Net Zero, that while ahead of the curve allowed the Fund to go green without impinging on investment return.

- iv. The Fund received various freedom of information and email correspondence from scheme members and other outside groups about what assets the Fund held and why certain assets had not been divested. The Board noted that the Fund's view was that a strategy of engagement with companies to improve their stewardship, was more compatible with its fiduciary duty. Furthermore, the Fund's view was that carbon heavy companies had a key role to play in the transition to a greener future, which the Fund would support and lobby for as a responsible owner.

RESOLVED:

That the report be noted.

22. LGPS Central Joint Committee and Annual General Meeting Update.

The Board considered a report of the Director of Corporate Resources providing an update on LGPS Central's Joint Committee and Annual General Meeting. A copy of the report, marked 'Agenda Item 8' is filed with these minutes.

RESOLVED:

That the report be noted.

23. Internal Audit Arrangements (Including Internal Audit Work conducted During 2021-22) and the Internal Audit Plan 2022-23.

The Board considered a report of the Director of Corporate Resources, the purpose of which was to detail the internal audit work completed and the Internal Audit Plan 2022-23. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

The Board welcomed the outcome of the 2021-22 audit report which had resulted in a positive assurance grading with no high importance recommendations.

The Board noted that arising from the biennial National Fraud Initiative counter fraud data matching exercise, four cases had been identified where pensions continued to be paid to deceased persons. Immediate action had been undertaken and repayment was being sought (just over £18,000 in total), however had been hindered by the complexity from deaths occurring overseas. The Board were assured that a range of process changes had been introduced to prevent any reoccurrence.

The Internal Audit Service continued to work with LGPS Central partner authorities as part of the Internal Audit Working Group (IAWG). As part of the four-year rolling rota programme of audits, Leicestershire had undertaken a review of LGPS Central Investments and reached an overall 'substantial' opinion.

RESOLVED:

That the report be noted.

24. Risk Management and Internal Controls.

The Board considered a report by 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 marked 'Agenda Item 10' is filed with these minutes.

RESOLVED:

That the report be noted.

25. Date of Next Meeting - 17 August 2022.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 17 August.

26. ANY OTHER ITEMS WHICH THE CHAIRMAN HAS DECIDED TO TAKE AS URGENT.

Times Not Specified
04 May 2022

CHAIRMAN