



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Wednesday, 8 February 2023.

PRESENT

Mrs. R. Page CC (in the Chair)

Ms. C. Fairchild
Ms. R. Gilbert
Cllr. V. Riyait

Mr. M. Saroya
Mr. R. J. Shepherd CC

49. Minutes of the previous meeting

The minutes of the meeting held on 26 October 2022 were taken as read, confirmed and signed.

50. Question Time.

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

51. Urgent items.

There were no items for consideration.

52. 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 Shepherd declared a non-registerable interest in Agenda Item 10 (McCloud Remedy Progress Report) as he was a member of the Teacher Pension Scheme.

53. Pension Fund Administration Report October to December 2022 - Quarter Three.

The Board received a report from the Director of Corporate Resources which provided information of the main administrative actions in the third quarter period from October to December 2022. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from the discussion the following points arose:

- i. The KPIs for the quarter at Appendix A to the report were discussed. There were improvements in business processes, particularly around death benefits and payments sent to dependents within 10 working day, up from 78% to 96%. This was partly due to people previously working on another project had been moved back and two further people trained.

- ii. From a customer perspective there was not much change, but overall showed a strong quarter for the section.
- iii. Under workloads, there were two areas that stood out, namely Preserved Benefits and Aggregations which were showing as performing below target as the number of cases were coming in faster than they could be cleared. A recently recruited Team Manager and his team had focussed on those two areas and figures were showing improvement, with further people having been trained to work on Preserved Benefits.
- iv. Work was in progress on continued data improvement in readiness for Dashboards.
- v. There had been three internal audits during the quarter, all with positive outcomes: pension contribution bandings; pension contribution calculations and pension transfers in and out of the Fund.
- vi. There was a likelihood of national consultation in 2023 regarding retrospective changes to widower's benefits, which would result in a significant area of work in addition to work on McCloud. A report would be provided to the Board when information was available.
- vii. There was now a dedicated person in the Pensions Section working on employer risk work helping to progress cases more efficiently.
- viii. A report would be provided to Members on the Pensions Regulator Code of Practice when information was received.
- ix. The LIFE Multi Academy Trust to Total Swim 2021 bond was yet to be completed.

RESOLVED:

That the report be noted.

54. Pension Fund Valuation - Consultation Results, Final Assumptions and Results

The Board received a report from the Director of Corporate Resources concerning the results of the consultations on the draft Funding Strategy Statement (FSS) and draft Investment Strategy Statement (ISS), the final assumptions used in the valuation and the whole fund results. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from the discussion the following points arose:

- i. Response back from the consultation were mainly enquiries from employers on a wider understanding of the document rather than actual specific changes to the FSS and ISS. The low response rate was not a concern which indicated there were no concerns from employers who had been written to individually, providing them with clear information.
- ii. It was proposed that the two documents as prepared would remain as they were and taken to the Local Pension Committee on 3 March 2023 for final approval.

- iii. Having worked closely with the Fund's Actuary Hymans Robertson on modelling and assumptions, the CPI assumption had been raised slightly from 2.7% to 2.9% and approved by the Local Pension Committee on 18 November 2022, which in turn meant the funding position had improved significantly from 89% at March 2019 to 105% at March 2022.
- iv. The aim was for employers to reach funding levels of 110%, following which a maintained funding level is aimed for, and a reduced rate could be given to those employers over 120% funded, moving forward.
- v. Approval was awaiting from the Local Pension Committee at its meeting on 3 March 2023 on the final assumption, following which a final valuation report would be produced by the Fund's Actuary Hymans Robertson, and employer contributions from 2023 to 2026 confirmed.
- vi. The Chairman requested that the two documents include an index to acronyms included in the report, and that some areas the language used would need to be simplified. She raised additional formatting issues that would be addressed in the final versions of the documents.

RESOLVED:

That the Board noted:

- a) The revised Funding Strategy Statement, Investment Strategy Statement and Final Assumptions, all of which would be presented to the Local Pension Committee for approval in March 2023.
- b) The 105% indicative whole fund valuation result.

55. Development of the Net Zero Climate Strategy

The Board received a report from the Director of Corporate Resources concerning the development of the Net Zero Climate Strategy (NZCS) and feedback received during the first public engagement on the draft targets and measures. The report also provided the Board with the opportunity to comment on the Strategy. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Arising from the discussion the following points were noted:

- i. It was noted that, although carbon intensity and carbon emissions were measured for some of the Fund's portfolio, not all assets were so easily measurable. It was understood that work was progressing internationally on how to best measure emissions of certain asset classes.
- ii. Consultation on the NZCS had now closed, with respondents overwhelmingly supportive of the targets and measures set out in draft document. The results from the consultation would be presented at the Local Pension Committee for approval on 3 March 2023.
- iii. The Chair noted and appreciated that comments had been incorporated into the NZCS but, whilst it was commendable that there had been a reduction in the

investment in fossil fuel, there was concern that a reduction to net zero would have a detrimental impact on investment income, which in turn would put the security of the pension fund's return into jeopardy.

- iv. It was noted it was difficult to show the effect of the removal of companies with fossil fuel exposure. The Fund would be prudent in how it managed its exposure.
- v. Members would be able to direct people to the relevant section(s) of the NZCS when approved and published on the Pension website, which should answer the majority of questions received regarding the Fund's investments. Members noted that previous Local Pension Board reports were available on the Council's website for reference.

RESOLVED:

That the development of the Net Zero Climate Strategy be noted.

56. Pension Fund - Business Plan and Budget 2023/24

The Board received a report from the Director of Corporate Resources, the purpose of which was to inform the Board on the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2023/24. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

During discussion the following points arose:

- i. Focus would be on the delivery of the NZCS, feeding through changes to investment managers, and maintaining the balance between investment returns and managing the climate change risk.
- ii. Highlighted was the review of equity target return and the protection assets, which would be looked at in greater detail by the Investment Sub-Committee, with support and advice from Hymans Robertson.
- iii. Investment Manager costs tended to track the level of assets which had increased in recent years. For Managers that earn performance fees, when assets were performing strongly, the relative cost of the Fund went up, and vice versa.
- iv. 2023/24 would be a significant year in terms of the implementation of the McCloud judgment.

RESOLVED:

That the report be noted.

57. Pension Fund Continuous Improvement Report

The Board received a report from the Director of Corporate Resources regarding progress in respect of areas identified as requiring improvement within the Pensions Section. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

During discussion the following points arose:

- i. Final testing on the new facility for bank account verification was in progress, which would help avoid situations where payment had been attempted and rejected. There were three key areas that were scored that determined an outcome of a verification check: matching an individual with an account number; matching a sort code with an account number and the account details matched to an individual at the correct address. In the result of a verification returning a referral or fail, a process was being finalised to check that data had been entered into the system correctly by the member.
- ii. There was a newly introduced facility for deferred members, in order for them to claim their deferred pension online. There were six tasks for the member to complete in order to allow officers to bring the pension into payment.
- iii. The same system was available for active deferred members but had not yet been implemented whilst focus was on deferred members.
- iv. Officers were in the early stages of a review of the aggregation of records. The aim was to work through different scenarios in order to streamline all areas.
- v. Appendix A was an update on various business as usual areas, for example, Members Self Service and continuous improvements being made to more accessible for members.
- vi. Appendix B related to statistics in relation to the numbers of people registered for self-service and was broken down into the three employers of most interest to the Board, namely the County Council, City Council and Leicestershire Police.
- vii. There was a steady upward trend with the number of people that were registered for Member Self Service (MSS).
- viii. A data protection impact assessment had been undertaken and approved by the Council's Governance Team.

RESOLVED:

That the report be noted.

58. McCloud Remedy Progress Report

The Board received a report from the Director of Corporate Resources regarding progress in respect of preparations for the implementation of the 'McCloud' Judgement for Leicestershire County Council Pension Fund. A previous report on the topic was presented to the Board on 17 August 2022. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

During discussion it was noted that:

- i. The Court of Appeal had ruled that younger members of the Judges' and Firefighters' Pension Schemes had been discriminated against by not receiving the same protections as older members. Called the 'McCloud Judgement', the ruling required public sector schemes, including the LGPS, to remove the age discrimination. A communications exercise would be closer to October to provide information to members.

- ii. The Legislation was due to come in October 2023, the deadline for which would be extremely difficult to meet. Members were informed that the updating of members' records was ongoing, with the process of collating and uploading of data to Altair proving to be extremely complex and time consuming where manual intervention would be required for many records. Further resources could be needed in addition to the two temporary Pensions Assistants working on McCloud. In the event that not all member records had been updated by October, newly retiring members would be assessed on a case-by-case basis, which in turn would have an impact on resources.

The Chair wanted to put her thanks on record to the Team and the task they had ahead of them.

RESOLVED:

That the report be noted.

59. Pension Fund Training Update

The Board received a report from the Director of Corporate Resources which provided an update on the Pension Fund's Training Policy which detailed the fund's approach to delivery, assessment and recording of training, which members of the Local Pension Committee and Board were expected to complete in order to demonstrate a suitable level of knowledge and understanding. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Members had been asked to complete a training needs assessment in order to identify training undertaken to date and further elements required for the Board and Committee moving forward. Members were encouraged to continue to complete the Hyman's Robertson training modules online.

It was noted that the information pack would be updated with a version for the Local Pension Committee, with a new version also being progressed with items more relevant to the Board.

RESOLVED:

That the report be noted.

60. Risk Management and Internal Controls

The Board received a report for noting from the Director of Corporate Resources, which informed the Board of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

It was reported that there had been no significant changes to the risk scores since the Local Pension Committee meeting in November 2022, with minor updates on existing risks:

- Risk 3 (Investments) – the development of the Net Zero Strategy continued, and final approval required by the Local Pension Committee in March 2023.

- Risk 8 (Governance) – the currently used the Prudential as AVC provider. The national Framework had been scoped to enable Funds to review and tender for AVC providers through the Norfolk framework, which was a subdivision of Norfolk County Council pensions. Leicestershire County Council had agreed to be a founder member on that framework.

RESOLVED:

That the report be noted.

10.00 - 11.43am
08 February 2023

CHAIRMAN