



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Wednesday, 18 October 2023.

PRESENT

Mrs. R. Page CC (in the Chair)

Mrs. C. Fairchild
Mrs. R. Gilbert

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

16. Minutes

The minutes of the meeting held on 2 August 2023 were taken as read, confirmed and signed.

17. Question Time.

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

18. 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.

19. 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.

No declarations were made.

20. Consultation: Next Steps on Investment.

The Board considered a report from the Director of Corporate Resources which provided information on the consultation paper issued by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023, titled "Next Steps on Investment" and an overview of the Fund's response. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from the discussion, the following points arose:

- i. A Member question what the Fund's stance was to the Government wanting to see pooling move further and faster, if it was compulsory and what were the risks. The Director reported it was the Government's intention to get individual local authorities to pool faster. There were a number of funding pools around the country, including

LGPS Central. Pooling ranged across the country where some funds had not pooled much at all, but some were substantially pooled. It was further noted the Government wanted the pools to be larger, therefore those that were subscale might be subsumed into bigger pools.

- ii. The Fund's stance was that it was already in a fairly big pool with other local authorities, with up to £55billion in assets under management, taking it over the £50billion bracket, and was large enough not to be subsumed into another pool. There were also regulatory, legal governance issues around subsuming to consider, as well as time, large costs and overheads involved.
- iii. A Member raised a point made in the report about lack of clarity over whether low-cost external passive holdings could be classed as pooled and asked if it was a substantial risk. The Director reported that many local authorities invested in Legal and General Investment Management (LGIM). The Fund had entered into a number of investment products a number of years ago, and these were collectively procured with six other local authorities, commonly known as the Seven Shires Agreement. LGIM's fees were competitive, and if the Fund were forced to divest from LGIM and had to reinvest with LGPS Central, it could cost more, therefore the Fund wanted the Government to include the LGIM products as pooled and had included the point in its response back to Government.
- iv. A Member raised concern over the way the Fund was being directed through prescribed allocations and welcomed the Local Pension Committee's comments at its meeting in September 2023. The Director acknowledged the concern, which had been included in the response back to Government, noting each local authority should take decisions based on its investment consultants' advice and on its own individual merits, and was an opinion shared across the LGPS.
- v. A Member queried in terms of the consultation, if there was any sense that the Government would listen to concerns and take on board what was being said or was the view from past experience that Government would press ahead with their proposals to pool faster and further. The Director reported there were a lot of asks from Government within the consultation, but it was felt that some of the bigger requirements, such as to pool faster and further, would likely be watered down following a push to do so from respondents to the consultation. It was further noted Government deadlines were fairly short and had not taken into consideration that transitions from one part of the portfolio could be a costly and lengthy exercise. Some of the other asks as part of the consultation weren't as heavy hitting, with some supported by the Fund.

RESOLVED:

That the consultation paper issued DLUHC titled "Next Steps on Investment" and an overview of the Fund's response be noted.

21. Pension Fund Administration Report, July to September 2023 - Quarter Two.

The Board considered a report from the Director of Corporate Resources which provided information on the main administrative actions in the second quarter period from July to September 2023. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from the discussion, the following points arose:

- i. In response to a Member question, the Director advised administration of the Additional Voluntary Contributions (AVCs) at the Prudential had progressed significantly, and was satisfied that previous administrative issues were more or less resolved. It was noted that when occasional cases arose that required intervention by Pension Officers, there was now a contact at the Prudential who could be contacted directly for early resolution of issues.
- ii. Members were informed of a wider review of AVCs and working taking place nationally through the Norfolk Framework, working with officers and with three other funds in the UK to build a framework that funds would be able to go to if they chose, if they were considering a review of their AVCs, or a change of their AVC provider or new additional AVC provider. The expected live date for the new framework was March 2024.
- iii. A Member queried the 10.1% pensions increase. It was noted the increase had been applied to all pensions from April 2023 as a statutory requirement to pay the inflation rate as at September 2022, and was standard across all LGPS funds. It was noted the increase was much higher than what had been experienced in previous years. In terms of overall fund valuation, the increase was one element of assessing the cost of the fund moving forward.
- iv. A Member queried, with regards to the annual benefits statements and the statutory requirement for the fund to issue them to scheme members, how many statements were accessed through the self-service portal. The Director undertook to provide information to the next Board meeting, but noted that work continued to increase uptake up of member self-service (MSS), and uptake had increased in active members in the police area.

RESOLVED:

- a. That the Pension Fund Administration Report, July to September 2023, quarter two be noted.
- b. That the Director be requested to incorporate into the next report statistics on MSS usage.

22. Pension Fund Continuous Improvements Report.

The Board considered a report from the Director of Corporate Resources which provided an update regarding progress in respect of areas of identified improvement within the Pensions Section. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

During presentation of the report, the following points were noted:

- i. Members were asked to note that further information on the McCloud remedy could be found on the Hymans online tool.
- ii. The McCloud functionality on the system would be switched on 13 November 2023, following the implementation of an upgrade to pension payroll, and to allow extra time to ensure the changes in respect of McCloud were fully understood by officers,

particularly whilst LGA guidance was still awaited, and was in line with other East Midlands authorities who had not yet gone live.

Arising from the discussion, the following points arose:

- iii. Following a member query on what outwards 'Club' transfers were, it was explained that public sector schemes use an agreed calculation method on how transfers should be calculated to ensure that transfers within the public sector, the value of benefits bought would remain broadly the same.
- iv. Flexible retirement was an area that had been highlighted with the system suppliers, in order to check if cases were affected by the McCloud legislation, to ensure calculations were correct.
- v. Appendix A provided the latest figures in terms of the number of people registered or partially registered for the member self-service (MSS) portal, broken down to show active, deferred and dependent members, further split into categories including age. The information also covered employers.

RESOLVED:

That the pension fund continuous improvements report be noted.

23. Risk Management and Internal Controls.

The Board considered a report from the Director of Corporate Resources which provided information on 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 8' is filed with these minutes.

Members were asked to note a change to Risk 17, the resolution of the McCloud remedy updated to include the latest legislation.

RESOLVED:

That the report on risk management and internal controls be noted.

24. Chairman's Announcement

The Chair noted that Caroline Fairchild, Employee Representative, would shortly be retiring and the Board meeting would be Caroline's last one. The Chair thanked Caroline for her input and support as Deputy Chairman of the Board, and asked Members to join her in wishing her well in her retirement.

10.00am to 11.07am
18 October 2023

CHAIRMAN