



Minutes of a meeting of the Local Pension Board held online on Microsoft Teams on Wednesday, 7 February 2024.

PRESENT

Mrs. R. Page CC (in the Chair)

Mr. A. Cross
Cllr. E. Cutkelvin
Mrs. R. Gilbert

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

In Attendance

Mr. A. Stewart

25. Election of Chairman.

RESOLVED:

That Mrs R. Page CC be appointed Chairman on the Local Pension Board up to the Pension Fund Annual General Meeting scheduled to be held on 9 December 2024.

Mrs. R. Page CC in the Chair

26. Election of Vice Chairman.

RESOLVED:

That Mr. M. Saroya be appointed Vice Chairman on the Local Pension Board up to the Pension Fund Annual General Meeting scheduled to be held on 9 December 2024.

27. Minutes.

The minutes of the meeting held on 18 October 2023 were taken as read, confirmed and signed.

28. Question Time.

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

29. Urgent Items.

There were no items for consideration.

30. 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.

31. Pension Fund Administration Report, October to December 2023 - Quarter Three.

The Board considered a report of the Director of Corporate Resources the purpose of which was to inform the Board of the main administrative actions in the third quarter period from October to December 2023. The report also covered governance areas including administration of the Fund benefits and the performance of the Pensions Section against its performance indicators. The Board was recommended to raise any areas of concern to be reported to the Local Pensions Committee. The report marked 'Agenda Item 7' is filed with these minutes.

Arising from discussion, the following points were made:

- i. It was noted that under the purpose of the report, it should be amended to read *third* quarter period.
- ii. In response to a Member's question, the Director advised that the McCloud Remedy was the biggest cause for concern, resulting in more manual work to resolve cases. There were further concerns that, although upward tracking of Key Performance Indicators (KPIs) was good, this was not at the level needed. It was reported that there were other pressures of some employers moving payrolls and additional personnel moved to assist.
- iii. Members questioned if additional resources would be required in the Pensions Section. The Director reported that when looking at budget and resources in place, the Pensions Section was in as good a position as it could be. Two apprentices would be starting for 2024/25 who would take on the more basic administration work, which would alleviate some of the pressure. There was temporary resource working on McCloud, with contracts having been extended to March 2025. It was further reported that the statutory requirement for year-end preparation and more pressing work would be tackled first.
- iv. A Member questioned, with regards to retirement benefit notifications, if the deterioration in the satisfaction rating was because they were not being kept informed of delays with implementation of the remedy. The Director reported that wider communications on McCloud had been sent to all scheme members and not specifically to retirees. However, if there were specific delays, people affected would be contacted on an individual basis.

RESOLVED:

That the report be noted.

32. Net Zero Climate Strategy Progress Update.

The Board considered a report from the Director of Corporate Resources which provided an update on the latest Climate Risk Management Report for the Leicestershire County

Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy (NZCS). A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. A Member asked if the information on the Fund's positive steps taken to go carbon neutral could be circulated more widely. For example, on the Pension Fund website, given the recent motions put by other councils requesting the Fund invest in low carbon investments. The Director reported that focus would be given to improving communications, including an improved newsletter to scheme members which would set out in simple terms work taking place towards delivery of the Fund's NZCS targets.
- ii. A Member suggested using a RAG (red, amber, green) status with regards to investment in green initiatives, to show if funding was on target, as this would be a simpler form of communicating information to scheme members. The Director reported that the Fund was well funded. Quarterly valuations of the total fund were reported to the Local Pension Committee, and good progress was being made, along the weighted carbon intensity reduction of 50%, but there was a fine line to tread between funding level and the primary purpose of paying pensions. The Local Pension Committee would receive a report at its December 2024 meeting, with a snapshot of the Fund's position taken to the Board thereafter.
- iii. With reference to paragraph 22 of the report, the Director explained that the Fund would measure alignment with targets going forward, which would include how a company's portfolio aligned to Net Zero and how this was measured. Members noted, however, that the metrics needed to be improved, as the understanding of Net Zero and how companies achieving that progressed was limited as there was currently no industry standard on how to do this.

RESOLVED:

That the Climate Risk Management Report for the Leicestershire County Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy be noted.

33. Pension Fund - Business Plan and Budget 2024/25.

The Board considered a report from the Director of Corporate Resources which provided information on the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2024/25. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. Whilst the Fund did not hold reserves and no capital expenditure was planned, a Member queried what would happen if expenditure were required in future. The Director explained that the budget was based on prudent assumptions, and reasonable provision was made if more resources were needed, for example, as had been the case for the implementation of the McCloud Remedy. In terms of investment, reasonable assumptions around management costs were built into the budget. Members noted that it would not be appropriate for the Fund to retain reserves and there was no need for capital expenditure.

- ii. A Member questioned why the actuarial costs for 2025/26 at £400,000 was so high. The Director explained that this was due to the valuation period, where costs rose at the point of the actuarial valuation due to further work and costs incurred.
- iii. A Member queried, with the Government asking funds to look at pooling to reduce costs, when those costs reductions would be known. The Director reported that as Government policy became clearer and as the consultation process on pooling continued, information would become available on the impact on funds' management costs. It was noted that the budget was based on the current level of pooling and strategy.

RESOLVED:

That the report on the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2024/25 be noted.

34. 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 10' is filed with these minutes.

Arising from the discussion, the following were made:

- i. A Member recalled at the last Board meeting concern had been expressed about Government directing LGPS funds on where they should invest, and asked if officers had concerns. The Director reported that the suggestion had arisen from the next steps of investment consultation and was not a current requirement. It was noted that if brought in by regulation or Government recommendation, it would require a plan on investing 5% of assets in UK levelling up projects, and a previous report to the Local Pension Committee showed the Fund had hit that requirement already.
- ii. The Director reported that the Government wanted by 2030 or after, larger pools of around £200billion. It was noted that currently LGPS Central was in a good place with about £50billion in funds, and would continue to grow with continued investment, noting that the smaller pools across the LGPS would probably be picked up as a result.
- iii. Members noted that the LGPS had submitted its response to the consultation outlining concerns regarding complexity, the cost of transitioning versus the costs of savings achieved. Currently the Fund was pooled with low-cost passive funds, and it was not yet clear whether these could be included in what constituted as pooled.
- iv. A Member queried with regards to Additional Voluntary Contribution (AVC) providers, if after the tenders had been evaluated and a new provider selected, scheme members would be required to transfer to the new provider. The Director reported that it would most likely result in an additional provider, rather than members having to transfer across, though the framework in terms of selection was still being put together.
- v. In response to a Member question on pensioner payroll, it was noted that this was still a separate function within the Payroll section. Though the duties of the Pension Team

were becoming more involved on the admin side because of automation, the BACS system was run by Payroll.

RESOLVED:

- a) That the Pension Fund Continuous Improvements Report be noted.
- b) That the report on the Fund's response to the consultation on the Next Steps on Investment be circulated to Members.

35. Pension Fund Training Needs Self Assessment.

The Board considered a report from the Director of Corporate Resources which provided an update on Training Needs Self Assessments undertaken by Members, identified training Members of the Local Pension Board were expected to complete in order to demonstrate a suitable level of knowledge and understanding, and set out options for the Committee to consider as part of the planned review of the current Training Policy. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. Members commented that whilst knowledge was required and it was good practice to evidence this, the previous method of training delivered after meetings was effective and efficient. Some found the Hyman's modules time consuming and difficult to diaries due to other substantial commitments. Members further commented that new Members joining the Board might find the training programme daunting, and suggested that a simplified training schedule be developed which could be completed over a four-year cycle. The Director noted that, whilst the Hyman's online training had been invested in, it was appreciated that people approached learning in different ways.
- ii. Members noted that a collective training session on a Hyman's module had been arranged to take place online for Board and Committee Members following the meeting, following which Members would be asked to provide feedback. The Director reported that a training plan would be developed that combined different types of training that worked for Members.
- iii. A Member suggested that the cycle of meetings for the Board be brought in line with the Council's Municipal Year, in order to avoid problems with a change in Chairman should the Member fail to be a Member of the Board following re-election during an election year, or following Annual Council. The Director undertook to look at the logistics of the election of Chairman and Vice-Chairman following the Annual General Meeting of the Pension Fund.

RESOLVED:

- a) That the report on the Pension Fund Training Needs Self-Assessment be noted;
- b) That all Members should complete the training needs assessment if not yet completed by 14 February 2024. The link would be recirculated to Members;

- c) That Members committed to progressing completion of Hymans Aspire modules, and noted that a record would be taken as at 31 March 2024 for the Fund's Annual report;
- d) That Members feedback on the current approach to the Fund's Training Policy be considered as part of the review.
- e) That the Director be requested to consider re-aligning the cycle of Local Pension Board Meetings with the Municipal Year of the County Council, giving consideration to the election of Chairman and Vice-Chairman.

36. Pension Fund Policy Report.

The Board considered a report from the Director of Corporate Resources which provided the annual update of the Pension Fund's current strategies and policies, covering any new policies that had been introduced or amendments that had been made. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. A Member referenced a previous report on the agenda, with regards to the Scheme Advisory Board (SAB) statement on surpluses and tailored employer investment strategies, which the Member considered to be a risk. The Director reported it was generally seen as a way of employers trying to take advantage of the strong funding position some were currently in and influencing investment and funding strategies.
- ii. Members noted officers' concerns regarding the suggestion of individual strategies which would significantly increase administration and costs to the Administering Authority, and potential impact on other employers. It was noted that this was not something the Administering Authority would be in favour of. In response to questions raised, Members noted that the Administering Authority had not been approached by any employers to tailor approaches. Members added their concerns and echoed officers views, confirming that it would not advocate tailored investment strategies.

RESOLVED:

- a) That the annual update of the Pension Fund's current strategies and policies, covering any new policies that had been introduced or amendments that had been made, be noted.
- b) That the comments now made by the Board be forwarded to the Local Pension Committee for consideration at its meeting on 8 March 2024.

37. Risk Management and Internal Controls.

The Board considered a report of 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 13' is filed with these minutes.

Members noted Risk 11 'Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns' and remarked that this was

more geared towards the Local Pension Committee, as the Local Pension Board did not make investment decisions, and should be so reflected in the risk register.

RESOLVED:

That the report on Risk Management and Internal Controls be noted.

38. Date of next meeting.

RESOLVED:

That the next meeting be held on 17 April 2024, at 10.00am.

10.00am to 11.53am
07 February 2024

CHAIRMAN