

MINUTES OF A MEETING OF THE PENSIONS BOARD

WEDNESDAY 16 MARCH 2022

Councillors Present: Samantha Lloyd in the Chair
Michael Hartney
Hugo Sparks

Apologies: There were no apologies for absence

Officers in Attendance: Rachel Cowburn (Head of Investments)
Jackie Moylan (Director of Financial Management)
Peter Gray (Governance Officer)

Also in Attendance: Catherine Pearce (Aon)
Jason Wilson (Aon)

1 Apologies for absence

1.1 There were no apologies for absence.

2 Declarations of Interest - Members to declare as appropriate

1.2 There were no declarations of interest.

3 Minutes of the previous meeting

3.1 The minutes of the previous meeting were agreed subject to following amendments.

4 Risk Policy & Risk Register

4.1 Rachel Cowburn introduced the updated Pension Fund Risk Policy, which details

- the risk management strategy for the Fund, including:
- the risk philosophy for the management of the Fund, and in particular:
- attitudes to, and appetite for risk how risk management is implemented risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

4.2 The Policy was last updated in December 2018; this updated version is presented for noting by the Board in line with the Policy's regular triennial review process.

- 4.3 The report also presents the Q3 2021/22 risk register update for the Board's review. The register summarises potential significant risks to which the Fund is exposed
- 4.4 Rachel Cowburn reported that key changes were to take account of CITFA guidance. Because of a restructure there had been changes to some job titles and responsibilities. Challenges in regard to the Risk Register centred on presentation with a shift to a dashboard presentation each quarter, submitting the full risk register on an annual basis.
- 4.5 Rachel Cowburn outlined the highlighted the 4 risks rated as red:
- Governance risk around potential data loss. A cyber specific security policy was in place but it was recognised that a number of actions still need to be put in place;
 - The ongoing risk of poor membership data. It was hoped that that risk would reduce to amber over the coming months. The Actuary was largely content with data quality;
 - Regulatory changes such as the exit cap and the impact of the McCleod remedy given the high level of associated uncertainty;
- 4.6 Michael Hartney asked for clarification on the achievability of the target date of September 2020 for the reduction of red risks on governance.
- 4.7 Rachel confirmed that the key risk to address related to the use of external systems. A plan was being put in place on the key recommendations of the cyber security policy and it was hoped to complete the plan by September 2022. It was hoped to make much progress on knowledge and skills and changes were planned in relation to recruitment and retention. Data protection changes would be wrapped into the external systems changes. It was accepted that some of the risks were more easy to address than others and there would be process of review of the risks.
- 4.8 The chair asked for clarification on why the conflict of interest risk was amber.
- 4.9 Catherine confirmed that the risk was amber because of the presence of new members. Rachel Cowburn the new members would complete conflicts of interest forms and would receive induction training when the risk could be reduced.
- 4.10 The Chair expressed concern that poor membership data continued to be a red risk.
- 4.11 Jackie Moylan confirmed that the risk register was cautious and the administration risk was not far off amber as much progress had been made, particularly with the interface work. The risk was expected to reduce by September 2022. Rachel Cowburn confirmed that significant changes had been made with an interface that is ready to go live. Further, Equinity had made some material improvements in terms of meeting KPIs following a period of uncertainty. Some concerns remained.

5 Pensions Administration Strategy

- 5.1 Rachel Cowburn introduced the updated pensions administration strategy which had been consulted on with employers. No comments had been received from employers on the strategy. It set out the Funds team interacts with the employers, what the responsibilities of scheme employers are. There had been little change to the strategy but the wording had been tightened around the relationship between schools and their payroll providers to assist schools on what they need to do in terms of monitoring their payroll providers. Amendments had been made to reflect employer self-service. Some amendments had been made with regard to McLeod with an update around the pension's regulators role. A further change related to how performance objectives are measured.
The strategy had been approved by the Pensions Committee.
- 5.2 Michael Hartney asked if the level of charges engendered the required behaviour and whether the fees should be based on the size of membership.
- 5.3 Rachel Cowburn confirmed that it was difficult to set the level of charges and there were different sizes of employer with small employers to whom the charges are likely to be material. Work was being carried out on situations where the employers are not providing the required information, recognising the cost to the administration team. To recognise the disparity, significant costs had been incurred. Catherine confirmed that it was necessary to recover the funds that had been lost.
- 5.4 The Chair stressed the need for early warning when these issues with employers occur and that amounts paid should relate to the size of the organisation.
- 5.5 Rachel Cowburn stressed that punitive costs would not be imposed and employers cannot be treated differently even though the costs are a bigger deterrent to smaller employers. A liaison officer within the team monitored payments from employers and flags up where there are late payments.

RESOLVED:

To note the report

6 Conflict in Ukraine - Pension Fund Impact

- 6.1 Rachel Cowburn introduced the report. An exercise had been carried to show where there had been any direct exposure. There was small holdings within the equity portfolios with no significant impact on the fund at .05 percent. Guidance had been issued from the Pensions Regulator and from the LPBS Advisory Board which had been followed. Law Commission guidance had also been followed on disinvestment. The long term recovery was uncertain and there was no real case for engagement in this situation. This disinvestment would take place as soon as it was practical to do so.

- 6.2 Hugo asked for clarification on the impact of inflation on the Pensions Fund.
- 6.3 Rachel Cowburn confirmed that inflation does have an impact. From an investment point of view the continues to have significant equity holding which would be a good defence against an inflationary environment. There had been a change in cash flows with consideration now being given to income generation. There would not be a shift to a more protection based strategy, maintaining exposure to growth and income. Timelines on the investment strategy to show what factors had been considered and how that informs the development of the Investment Strategy would be submitted to the next meeting of the Board.

Action: Rachel Cowburn

- 6.4 The Chair stressed that as a board it was important that the investment strategy is considered by the Fund.

7 Review of the Work of the Pensions Committee

- 7.1 Rachel Cowburn introduced the report on the work of the Pensions Committee.
- 7.2 Michael Hartney ask for clarification on whether complaints from members who had been negatively impact by the GMP rectification. Rachel Cowburn agreed to seek clarification on this matter.

Action: Rachel Cowburn

8 Any other business

- 8.1 There was no other non-confidential business.

9 Exclusion of Press and Public

RESOLVED:

The Press and Public be excluded from the meeting during the consideration of agenda item 6 due to the disclosure of exempt information as defined under paragraph 7, Part 1, Schedule 12A of the Local Government Act 1972.