

# MINUTES OF A MEETING OF THE PENSIONS BOARD

WEDNESDAY 16 MARCH 2022

**Present:** Samantha Lloyd (Chair)  
Michael Hartney  
Hugo Sparks

**Officers in Attendance:** Rachel Cowburn, Head of Pension Fund Investment  
Peter Gray, Governance Officer  
Jackie Moylan, Director of Financial Management

**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 the following amendments.

- That the correct live stream link be attached;
- 4.2 amended to read:  
'Catherine Pearce confirmed that the majority of the structures referred to were already embedded in many Local Authorities Funds but there were concerns that not all funds were meeting best practice requirements.
- Para 4.3: Amend to make reference to '7' sections';
- 5.1: Change date to 2021/22;
- 7: Amend to; Major Projects Update;
- Amend the finishing time of the meeting.

## 4 Risk Policy & Risk Register

4.1 The Head of Pension Fund Investment introduced the updated Pension Fund Risk Policy, which detailed 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 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 was presented for noting by the Board in line with the Policy's regular triennial review process.

4.3 The report also presented the Quarter 3 2021/22 risk register update for the Board's review. The register summarised potential significant risks to which the Fund is exposed.

4.4 The Head of Pension Fund Investment reported that key changes were to take account of the Chartered Institute of Public Finance guidance. Because of a restructure in the section, there had been changes to some job titles and responsibilities. Challenges in regard to the Risk Register centred on presentation with a planned shift to a dashboard presentation each quarter, submitting the full risk register on an annual basis.

4.5 The Head of Pension Fund Investment highlighted the 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 needed 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 McCloud 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 The Head of Pension Fund Investment 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 would be easier to address than others and there would be a future review of the risks.

4.8 The Chair asked for clarification on why the conflict of interest risk was amber.

- 4.9 Catherine Pearce confirmed that the risk was amber because of the presence of new members. The Head of Pensions Fund Investment stated that the new members would complete conflicts of interest forms and would receive induction training at which time the risk could be reduced.
- 4.10 The Chair expressed concern that poor membership data continued to be a red risk.
- 4.11 The Director of Financial Management confirmed that the risk register was cautious and the administration risk was nearing amber as much progress had been made, particularly with the interface work. The risk was expected to reduce by September 2022. The Head of Pension Fund Investment confirmed that significant changes had been made with the interface and that this was ready to go live. Further, Equiniti had made some material improvements in terms of meeting KPIs following a period of uncertainty. Some concerns remained.

**RESOLVED:**

- To note the report

**5 Pensions Administration Strategy**

- 5.1 The Head of Pension Fund Investment introduced the updated pensions administration strategy which had been consulted on with employers, from whom no comments had been received. The strategy set out how the Funds team interacts with the employers together with the responsibilities of scheme employers. There had been little change to the strategy but the wording had been amended around the relationship between schools and their payroll providers to assist schools in monitoring their payroll providers. Amendments had been made to reflect the employer self-service system. Some amendments were made with regard to McCloud with an update around the Pensions Regulator's role. A further change related to how performance objectives are measured. It was noted that the strategy had been approved by the Pensions Committee.
- 5.2 Michael Hartney asked if the level of charges engendered the required behaviour from employers in relation to payments and whether the fees should be based on the size of the employer.
- 5.3 The Head of Pension Fund Investment 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 were not providing the required information, recognising the cost to the administration team. To recognise the disparity, significant costs had been incurred. Catherine Pearce confirmed that it was necessary to recover the funds that had been lost.
- 5.4 The Chair stressed the need for early warning systems to signal when issues around payment arise.

- 5.5 The Head of Pension Fund Investment stressed that punitive costs could 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 flagged up incidents of late payments.

**RESOLVED:**

- To note the report

**6. Conflict in Ukraine - Pension Fund Impact**

- 6.1 The Head of Pension Fund Investments introduced the report. An exercise had been carried out to show where there had been any direct exposure to Russia. Small holdings within the equity portfolios had been identified with no significant impact on the fund at .05 percent. Guidance had been issued on this matter 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 Sparks asked for clarification on the impact of inflation on the Pensions Fund.
- 6.3 The Head of Pension Fund Investment confirmed that inflation did have an impact on the Fund. However, the Fund continued to have significant equity holdings 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 informed the development of the Investment Strategy would be submitted to the next meeting of the Board.

**Action: Head of Pension Fund**

**Investment**

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

**RESOLVED:**

- To note the report

## **7. Review of the Work of the Pensions Committee**

- 7.1 The Chair introduced the report on the work of the Pensions Committee.
- 7.2 Michael Hartney asked whether complaints had been received from members who had been negatively impacted by the GMP rectification. The Head of Pension Fund Investment agreed to seek clarification on this matter.

**Action: Head of Pension Fund Investment**

### **RESOLVED:**

- To note the report

## **8. Exclusion of Press and Public**

### **RESOLVED:**

THAT the press and public be excluded from the proceedings of the Audit Committee during consideration of exempt Item 8 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in Part 1 of schedule 12A of the Local Government Act 1972, as amended.