



Local Pension Board Minutes

20 October 2023

Present: Nicholas Wirz (*in the Chair*), Tom Hunter, John Pearson, Tony Carr, Tracey Bell and Rachel Dunn.

Paul McCann (Head of Pensions)
Heather Chambers (Principal Pensions Manager)
David Hayward (Lead Officer for the Board)
Karen Connolly (Democracy Officer)

Apologies: Mick Brodie and Cllr D Purvis.

1. Declarations of Interest

N Wirz, P McCann, H Chambers, D Hayward, N Wirz, T Bell, J Pearson, T Carr, R Dunn and K Connolly declared non-pecuniary interests in all issues, as members of the Pension Fund.

They remained in the meeting for the discussion and determination of all matters.

2. Minutes of the meeting of 5 July 2023

Resolved: That the minutes of the meeting held on 5 July 2023 be confirmed as a true record.

3. Items Brought Forward (for information and read only)

Submitted: Report of the Head of Pensions.

The report set out matters brought forward from earlier periods which required action. The items were agreed by the board

Agreed: That the report be noted.

4. Annual Report and Accounts 2022/23 (for information and discussion)

Submitted: Report of the Head of Pensions

The Board were provided with the opportunity to comment on the draft Report and Accounts for 2022/23. The Board were largely comfortable with the document although there was one minor amendment suggested. The Head of Pensions agreed to review this.

The Head of Pensions advised that it is hoped that the audit opinion will be received in the coming weeks to allow Pensions Committee to approve the 2023/23 Report and Accounts at its next meeting. The Board will be updated as to progress at its next quarterly meeting and external audit will attend that Board meeting to present its findings and answer any questions the Board may have.

The 2022/23 Report and Accounts cannot be formally signed off until such time as the process has completed for 2021/22. The Head of Pensions informed the Board that he had no firm update on an exact timescale for this, but this was expected to be soon.

Agreed: That the report be noted.

5. Training for the Local Pension Board (for information and discussion)

Submitted: Report of the Head of Pensions

The Board were provided with the training requirements for the local pension board.

The Head of Pensions asked for feedback on the training in September. Board members felt that the training was really good but felt at times that there was a lot to take in and that more breaks may have helped or a mixture of investment managers and then a lighter topic to break the more intense sessions. They were all in agreement that the site visit was a really good session.

The next training session was due to be held in Edinburgh, it was hoped that this could be more interactive. There would not be a site visit in Edinburgh as there were no premises to visit in that area but it was noted that the pensions service were looking to organise a future visit for the Committee and Board to Port of Tyne.

Agreed: That the report be noted.

6. Local Pension Board – Quarterly report to Pensions Committee (for information and read only)

Submitted: Report of the Head of Pensions.

This report set out details of the work programme agreed for the Local Pension Board at its meeting on 5 July 2023. This was subsequently presented to the Pensions Committee at its meeting held on 26 September 2023.

Agreed: That the report be noted.

7. Risk Management and Internal Audit (for information and discussion)

Submitted: Report of the Head of Pensions

The report contained the current fund level Risk Register and provided an overview of the internal audit programme.

It was noted that a review of the Risk Register had been undertaken on 13 September 2023, none of the risks had been assessed as Critical.

Paul McCann asked Members of the Board to note the two changes to the risk register during the quarter. The Board confirmed that they were comfortable with these changes. These were:

- R1 - Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.
 - This risk was previously increased in likelihood as the Fund was not a signatory to the new Stewardship Code. It was reported that the Fund had invested considerable resource in climate change but had not progressed stewardship and other ESG areas as a result. Earlier this year the Fund produced its own Stewardship Report, which had recently been approved by the FRC and the Fund was now Stewardship Code compliant.
- S6 - Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.
 - This risk was previously increased in likelihood at the forthcoming departure of the Head of Pensions and previously retained at this level as the position was filled by the previous Principal Governance & Funding Manager, which created another senior vacancy. All senior positions had now been filled and this risk had been reduced in likelihood.

With regards to the two risks investigated in depth in the quarter, the following comments were made:

- **S9 High Risk (Likelihood – Near Certain/Impact – Marginal) – Insufficient resources create problems in service delivery.**

The Chair questioned why the risk had been classified as having a marginal impact, and wondered how it was measured. The Head of Pensions referred to the criteria used, it was explained that there were good support systems in place externally through consultants and a Pension Fund officer network, the officers remained comfortable with the

rating. It was agreed to bring this risk back to Committee in July 2024 for further consideration.

- **A9 Moderate Risk (Likelihood – Possible / Impact Negligible).**

That in the longer term the amount of cash coming into the Fund reduces to a level that is not sufficient to cover outgoings. This is caused by the scheme naturally maturing. The speed at which it matures is being impacted by ER/VR programmes and employers restricting access to new members to the scheme.

It was noted that currently this was negligible, but the Board would need to consider this after the 2025 Valuation as this could change at that point.

It was suggested that it would be useful to receive a report on the criteria which measures whether an impact is marginal or significant.

Agreed: (a) That the report be noted; (b) the S9 High Risk Insufficient resources create problems in service delivery be reconsidered by the Board at its meeting in July 2024 and (c) a report be presented to a future meeting detailing the criteria used to determine whether an impact was marginal or significant.

8. Climate Change and Carbon Metrics (for information and discussion)

Submitted: Report of the Head of Pensions

The report provided an update on the progress against climate related actions in the 2023/24 Service Plan. It set out the Fund's carbon reduction targets and approach to managing climate change risks and opportunities. In addition, the report provided an update on the progress against the climate related actions agreed in the 2023/24 Service Plan.

The portfolios which had the largest impact on the carbon footprint and provided the latest information on how each portfolio compared against its relevant benchmark portfolio were highlighted.

The Fund was considered to be in a good position to manage the risks arising from climate change, but it was noted that it was important that the position was continually monitored.

It was noted that a review of the appropriateness of the Climate Change Scenario Analysis will be included in the 2023 Investment Strategy Health Check being undertaken by Hymans Robertson.

Agreed: That the report be noted.

9. Stewardship Report (for information and discussion)

Submitted: Report of the Head of Pensions

This report set out the requirements of the Stewardship Code and outlined the status of the Fund with regard to compliance. The Fund had applied to be a signatory to the Financial Reporting Council's (FRC) Stewardship Code. The Head of Pensions informed the Board that the Fund's application had been successful.

It was noted that the Fund's successful application for 2022/23 was good news but was for a period of one year only. An application would need to be made for 2023/24 next year.

Agreed: That the report and update be noted.

10. Chair's Urgent Items

There were no Chair's Urgent items.

11. Policy Updates – Member Led Estimate Quotations and Certificates

Submitted: Report of the Head of Pensions

The Board were provided with details on revised policies for the following:

- Member Led Estimate Quotations
- Certificates

The comments of the Board were sought.

A union representative informed the Board that he had been discussing the possibility of 'how to do videos' for members who might struggle to access the Pensions portal to get quotations on their pension. The Principal Pensions manager informed the Board that they were now in a position to be able to work towards setting this up and that the new Employer Service team would be considering other initiatives to improve the service.

It was noted that not all members would have access to a computer at home to be able to access the portal, but the Board were informed that this could be done via a mobile phone and that this should perhaps be a message that should be communicated to members.

A Board member questioned whether accepting photocopies of documents could be open to fraud and whether the software was there to scan documents in order to check their authenticity. It was explained that at the moment the software did not have such capabilities but that perhaps this could be worked into future developments. It was not anticipated that many people change their documents, nor had it been an issue in the past.

Agreed: That the update be noted.

12. Breaches, Pensions Processing and Performance Information (for information and discussion)

Submitted: Report of the Head of Pensions

The report was submitted with updates to the Board on matters concerning breaches of the law in respect of pensions administration, pension processing, individual employers, and electronic systems.

Agreed: That the report be noted.

13. Reporting Data Breaches – Annual Report (for information and discussion)

Submitted: Report of the Head of Pensions

The Board was advised that there had been no material data breaches in respect of pensions administration. It was noted that there had been a relatively small number of minor incidents affecting a small number of people.

Most breaches were due to human error, for example, two letters posted in the same envelope. The Fund continued to wherever possible move to communicating with members through the 'mypension' service as this would reduce the risk of data breaches.

Agreed: That the report be noted.

14. McCloud Remedy Update (for information and discussion)

Submitted: Report of the Head of Pensions

The report provided details on the McCloud remedy following implementation on 1 October 2023. The Board were provided with information on:

- The Regulations and Government consultation responses;
- The position in respect of data collection; and
- The progress of updating the pensions administration software system.

Resolved: That the update and report be noted.

Reason for Decision: To ensure appropriate arrangements are in place to manage the McCloud remedy project and correct payment of members benefits.

15. Scheme Employer Update (for information and read only)

Submitted: Report of the Head of Pensions

The report provided updates on matters concerning individual employers within the Fund.

A member questioned whether the delays in completing admissions to the Fund which could leave members in jeopardy if they were to suffer illness or death during the delayed period should be reported to the regulator. The Head of Pensions advised that this was an option that had been previously utilised and in future could be where cases were of material significance.

Members of the Board confirmed they were happy with the report.

Agreed: That the report be noted.

16. Pensions Committee Minutes (for information and read only)

The minutes of the Pensions Committee meeting held on 26 September 2023 were presented for information.

Agreed: That the minutes be noted.
