

CUMBRIA LGPS LOCAL PENSION BOARD

Minutes of a virtual meeting of the Cumbria LGPS Local Pension Board held on Wednesday, 13 January 2021 at 1.00 pm

PRESENT:

Mrs K Powell (Chair)

Mrs D Burnet (Vice-Chair)
Mr DE Southward

Mrs K Thomson
Ms K Wilson

Also in Attendance:-

- Ms R Blundell - Operations Director - Local Pension Partnership Administration (LPPA)
- Ms A Clark - Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
- Mr P George - Group Finance Manager - Pensions, Investments and Insurance
- Ms L Taylor - Finance Manager - Pensions Investments and Governance
- Ms G Welbourn - Technical Finance Officer - Pensions
- Mr A Farrar - Democratic Services Officer
- Ms J Wisdom - Operations Manager, Pensions Administration, LPPA
- Ms A McGuinness - Finance Manager - Pensions

PART I – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

39 APOLOGIES FOR ABSENCE

There were no apologies for absence.

40 TERMS OF REFERENCE AND MEMBERSHIP

The Terms of Reference were noted. There were no changes to membership to note.

41 DISCLOSURES OF INTEREST

There were no disclosures of interest made on this occasion.

42 EXCLUSION OF PRESS AND PUBLIC

RESOLVED, that the press and public be excluded from the meeting during consideration of:

Agenda Item No 10 – Review of Administration Matters;
Agenda Item No 11 – LPPA Presentation; and
Agenda Item No 12 – Verbal Update on Emerging Issues

by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as the reports contain information relating to the financial or business affairs of any particular person (including the Authority holding that information).

43 MINUTES

RESOLVED, that the minutes of the previous meeting held on 6 October 2020 be agreed as a true and accurate record.

44 SCHEDULE OF FUTURE MEETINGS

Members noted that the next scheduled meeting of the Cumbria LGPS Local Pension Board would take place as follows:-

- 30 March 2021 at 1pm – venue to be confirmed.

45 REVIEW OF PENSION COMMITTEE DECISIONS AND OTHER MATTERS

Members considered a report from the Director of Finance (Section 151 Officer) which updated them on all aspects of the governance and administration of the Local Government Pension Scheme (LGPS).

Section 4 of this report summarised the work conducted, and decisions made by the Committee at its meeting held on 18th December 2020, in order that Board Members can review these as part of their legal responsibility to members of the Fund.

This report also advised members of other matters arising, including regulatory changes, since last reported to the Board.

The Technical Finance Officer took members through the report, and highlighted the following:-

- Legal breaches – there had been no legal breaches during the period to September 2020.
- Risk – there were two key changes to the risk register. One risk was added to the register noting the risk to the Fund of legal challenge due to conflicting legislation following the implementation of Exit Payment Cap legislation on 4 November 2020, during the period until the current conflicting legislation is resolved. In addition to the new risk the Technical Finance Officer informed members that one risk score related to the impact of COVID-19 on Pensions Administration had been

reduced in recognition of the effective processes in place as evidenced by the positive performance LPPA had maintained over the past quarter and throughout 2020.

- Investment Management - following a re-tender for the Fund's custodian services and the appointment of Northern Trust, the full transfer from State Street Bank of the Fund's custody assets, cash, accounting records and performance monitoring service took place successfully on 1 October 2020. The performance monitoring report would be a new format provided by Northern Trust for the quarter to 31 December 2020.
- The Pensions Regulator (tPR) Public Service Pension Schemes – Governance and Administration Survey 2019, published November 2020 - The responses covered 98% of LGPS schemes which related to 99.7% of Scheme membership. Results for the review of six key processes that tPR monitored as indicators of public service scheme performance were unchanged since 2018, aside from a decrease for risk management. Almost two-thirds (64%) of all public service schemes, including the Cumbria LGPS, had all six of the key processes in place, representing 71% of all membership. This was a reduction from 74% in 2018. The survey concluded that changes to the wording of some questions in 2019 had resulted in the fall in some of the scores.
- Fund Policies - In line with good practice BCPP had undertaken an annual review of its Responsible Investment Policy and Corporate Voting Guidelines. The outcome of this was that the underlying principles remained consistent with the Fund's Investment Strategy Statement (ISS) and no material changes are expected to be required to the ISS in relation to the updated BCPP Policy and Guidelines. There were several minor amendments including additions and clarification of text. There were also a couple of more significant changes to highlight which reflected developments in some faster moving areas of corporate governance.

Board Diversity – Some investors were now publicly setting hard thresholds for female representation. BCPP approach had applied a 30% expectation to all companies (regardless of size). It was important to still retain flexibility, especially for emerging markets, where the local corporate governance expectations differed.

Climate Change - BCPP expected high carbon emitting companies and those in high emitting sectors to have climate change policies in place meeting certain requirements. If this was not the case, there was the potential to vote against board chairs where no progress was being made. This was also the case for companies rated at level zero or one by the Transition Pathway Initiative (TPI). BCPP propose that climate change would become a standalone policy

Regulatory Changes – Public Sector Exit Payments Cap - this was covered in greater detail later in the meeting.

McCloud Resolution - Officers were awaiting the outcomes of the consultation and would advise the Board when further information was available

There was a discussion about how the best way in which the Board could influence decisions and proposed changes in policies. The Senior Manager - Pensions and Financial Services noted the Board's comments and would consider how engagement and consultation on policies could be done: noting that policies were due to be reviewed and would be presented to the Committee and Board in March.

Members asked for an update on Cyber Risk which was still showing in the Risk register for the Cumbria Pensions Committee as a red risk. The Group Finance Manager - Pensions Investments & Insurance agreed to investigate the AON cybercrime checklist for pensions schemes and report back to the next Board meeting.

RESOLVED, that the Board note the decisions approved and other matters considered by the Pensions Committee at the meeting held on 18 December 2020 and request further information and/or feedback to the Pensions Committee as appropriate.

46 TRAINING SESSION - EXIT PAYMENT CAP

The Group Finance Manager - Pensions Investments and Insurance and the Operations Director Local Pension Partnership Administration (LPPA) guided the Committee through the presentation which covered the following:

- Current LGPS Exit Payment and Compensation Regulations
- Current LGPS Regulations
- Exit Payment Cap
- Impact on LGPS Scheme Members
- The Exit Cap Conundrum
- Waivers to the Exit Cap
- Challenges to managing incompatible legislation
- Support by other parties
- Factors to consider
- Mitigating the risk
- Agreed action
- LGPS Exit Payment Reforms
- Proposed LGPS reforms
- Proposed LGPS Regulations
- Next steps

One of the members asked if there were likely to be any further claims made of age discrimination. The Group Finance Manager said he felt this was unlikely but that time would tell.

The Operations Manager – LPPA informed members that there had been three applications for Judicial Review following publication of these regulations. These would be heard in March 2021.

There had also been a number of cases put before the Pensions Ombudsman. However, these would not be considered until the outcome of the review was known.

The Operations Director – LPPA then gave members a brief presentation with a summary of where LPPA was in terms of their readiness for dealing with the current situation and the reforms which were to come. Her presentation covered the following:-

- What have we done so far
- Outstanding Issues

The Chair thanked the officers for their presentation.

47 PUBLIC SECTOR EXIT PAYMENT CAP AND THE REFORM OF LOCAL GOVERNMENT EXIT PAY

A report was considered from the Director of Finance (S151 Officer) regarding the Public Sector Exit Payment Cap and the reform of Local Government Exit Pay. The report advised that on 4 November 2020 the Restriction of Public Sector Exit Payments Regulations 2020 came into effect, placing a cap on the amount that public sector employers could pay for employees leaving employment (including through redundancy or business efficiency) to £95,000.

The report provided details of the Exit Payment Cap legislation; the arrangements within the Fund to manage any cases arising due to the incompatible legislation; and proposed amendments to LGPS Regulations to comply with the Exit Payment Cap legislation and further reform exit payments.

The Group Finance Manager - Pensions, Investments and Insurance referred members back to his previous presentation, which covered most of this.

RESOLVED, that the Board note this report.

48 DATE OF NEXT MEETING

The next meeting will be held on 30 March 2021 at 1pm – venue to be confirmed.

PART II - ITEMS CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

49 REVIEW OF ADMINISTRATION MATTERS

Members considered a report from the Director of Finance (Section 151 Officer), which detailed the more specific items of note within the Local Pension Board arena and specific to Cumbria LGPS relating to Pensions' Administration matters.

RESOLVED, that the Board note the Pension Administration matters detailed in the report and request further information and/or feedback to the Pensions Committee as appropriate.

50 LPPA PRESENTATION

Members received a verbal update from Ms R Blundell, Operations Director - Local Pension Partnership Administration (LPPA). The update included information on:-

- Current working position
- SLA Statistics
- Surveys
- Data Quality
- Overpayments
- Review of Systems

The Chair thanked the Operations Director for her comprehensive update.

51 VERBAL UPDATE ON EMERGING ISSUES

The Senior Manager - Pensions and Financial Services updated the Board on current emerging issues, including:-

- National Guidance for administering authorities on applying employer flexibilities to help manage employer risk.
- LGPS Pooling

The meeting ended at 2.50 pm