

# LOCAL PENSION BOARD ANNUAL REPORT

14 DECEMBER AGM

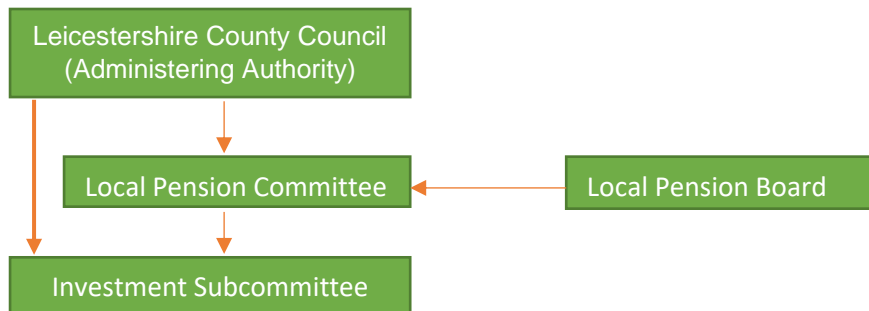
## What is the Local Pension Board

The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

The Regulations further required that Leicestershire County Council in its capacity as administering authority established a Local Pension Board for the purposes of assisting it;

- to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

While the Local Pension Board was established by the County Council it does not sit within the typical arrangements that apply to local authority committees, including those that apply to the Local Pension Committee. Instead the Board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund as set out within its Terms of Reference. The Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The structure of the Fund is set out below.



The Local Pension Board is comprised of;

- Three scheme member representatives,
- Three employer representatives
- One substitute scheme member representative.

Details of how the Members of the Local Pensions Board are appointed can be found in the [terms of reference](#).

As at 30 November 2020 the Board is constituted of the following members:-

Employer Representatives

**Mrs. Rosita Page CC - Chairman**  
*Leicestershire County Councillor*

**Mr. Richard Shepherd CC**  
*Leicestershire County Councillor*

**Cllr. Elaine Pantling**  
*Leicester City Councillor*

Scheme Member Representatives

**Ms. Caroline Fairchild – Vice Chairman**

**Ms. Ruth Gilbert**

**Ms. Divya Haller**

There remains a vacancy for reserve scheme member representative following Ms. Debbie Stobbs resignation earlier in the year.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 requires an administering authority to publish information about its Local Pension Board, this is included on the County Council's [Website](#), and as part of the Governance Compliance Statement within the Leicestershire Pension Fund's Annual Report.

## **Foreword by the Chair of the Local Pension Board**

Welcome to the inaugural Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 December 2019 to 30 November 2020.

I would be remiss to introduce this report without mention of the impact that COVID-19 has had, and is having, on all of us. First, I wish to assure any scheme Members that the Local Government Pension Scheme is a defined benefit pension arrangement, though the Fund invests contributions, investment performance does not affect pensions, ultimately pensions are long term investments and markets will always fluctuate.

While the crisis has brought out some of the best in humanity, sadly it has also highlighted scams that look for opportunities to prey on those in a vulnerable situation, or just looking for financial incentives. I would encourage scheme members to consider carefully when considering transferring their pension to another scheme. so as not to put them at financial risk. We remain assured that transfers out and refund requests remain stable and has not seen the anticipated rise as a result of COVID-19.

Ultimately the focus of the Board has been to ensure that the Fund's governance complies with Public Service Pensions Act, LGPS Advisory Board or CIPFA and TPR, something I am confident that we have achieved in the last year.

Finally, I would also like to further place on record the Board's appreciation for the support and transparent advice of officers and Independent Advisor Clare Scott as part of the Fund's Governance Review, who play a valuable role in supporting us and our oversight and scrutiny of the Fund.

This Annual Report is not a complete commentary of everything we have achieved this past year; rather it is a summary of some key highlights of our work during 2019/20. We hope it reflects the variety of issues we have considered during another busy year and that you enjoy reading it. You can of course find out more about our [meetings here](#).

**Mrs. R. Page CC**

Chairman of the Local Pension Board

## Member Attendance

Attendance of the Board Meetings have been positive with employer and employee representatives freely giving their time and commitment.

	2 December 2019	3 February 2020	20 April 2020 <i>Cancelled due to COVID-19. Papers were circulated to Members for comment.</i>	10 August 2020	26 October 2020
<b>Mrs. R. Page</b>	✓	✓		✓	✓
<b>Mr. R. Shepherd</b>	x	✓		✓	✓
<b>Cllr. E. Pantling</b>	x	x		✓	✓
<b>Ms. C. Fairchild</b>	✓	✓		✓	✓
<b>Ms. D. Haller</b>	✓	✓		✓	x
<b>Ms. R. Gilbert</b>	✓	✓		✓	✓

The Board held four meetings during the year. Which have covered the following:

- **Pension Fund Administration Reports** – The Board was updated at each meeting on the performance of the Pension's Section against its performance indicators. Including updates on breaches, complaints and appeals.
- **Risk Management and Internal Controls** – The Board was updated at each meeting on the risk management and internal controls of the Fund.
- **Pension Fund Valuation** – The Board received an update on the consultation with employers on the Funding Strategy Statement.
- **Investment Strategy Statement Update** – An update on the revised ISS, which the Board supported.
- **Draft Responsible Investment Strategy** – A report on the Fund's approach to improving the management of responsible investment risks, which was welcomed by the Board.
- **The Pension Regulator 'Deep Dive' Findings** – The Board noted areas of improvement that the Pension Regulator identified in other funds that the Leicestershire Fund would undertake where appropriate.
- **LGPS Transfer of Pension Rights** – An update concerning minor changes to Leicestershire's acceptance of transfer values from certain external pension schemes.
- **Updates on Conferences Attended** - The Chairman and Ms. D. Haller both updated the Board on information gleaned from the LGPS Central Conference.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **Transfers Out**- A report on issues relating to pension transfer out requests and the risk of scam activity.
- **Exit Credit Consultation** – Proposed Changes to the Fund's Exit Credit Policy and consultation.

- **LGPS Scheme Advisory Board's Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 2 Report.

A selection of the highlights of the year are set out below:

### **Highlights**

#### **Transfers Out**

We heard from the Pensions Manager regarding scheme member requests to transfer out to non-public service schemes. It was clear there was a conflict between scheme members who wished to transfer quickly, versus the Scheme Manager wishing to undertake sufficient due diligence. We were pleased to note the level of due diligence that the Fund undertook to provide security for members before transfers were completed. It was concerning that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. Concluding our discussion, we recommended that the Pension Manager review the wording incorporated into documents circulated to scheme members as part of the Stage 1 letter to ensure it set out time scales, managed service expectations and advised of the Fund's position in relation to due diligence. While the Pensions Section was not aware of any scam activity within the Leicestershire Fund, we noted the importance of remaining vigilant, a theme we revisited at future meetings.

Ultimately, we would encourage any scheme member considering transferring out to consider the costs, risks and loss of benefits involved.

#### **95k Exit Cap**

We considered, in the Board's role as regulatory body for the Leicestershire Pension Fund Government's response to the 95k Exit Cap consultation. While the cap was primarily an employer issue it also impacted on the administration of the Fund in relation to the pension strain (costs that occurred when there is a clear shortfall in the assumed level of funding needed to provide an unreduced pension benefit, for example if a member drew their benefit a lot earlier than expected). We will continue to monitor the situation as it remains a key issue with the potential impact it may have on the Fund. It is clearly concerning that the 95k exit cap could affect a lot of public sector workers, especially those who may have long service such as nurses and social workers if not linked to inflation. We were pleased to note that the Pensions Manager had written to all employers making them aware of the change, and informing them they must contact any impacted staff. We were also aware employers were looking at the implications and that Unison were also lobbying against the cap in its current form. We continue to encourage any scheme member of the fund who is concerned to contact their employer.

## **Responsible Investment**

We were also pleased to receive a report on Responsible Investment (RI) at our meeting on which set out the Fund's approach to improving its management of responsible investment risks and we were pleased to welcome LGPS Central's Director of Responsible Investment and Engagement to our Meeting. We welcomed the opportunity to comment on the Responsible Investment approach and were pleased that it focused on engagement, rather than exclusion which would have waived the ability of the Fund to influence RI behaviour through stewardship.

We felt the presentation further showed the benefits for pooling, as Central had a greater ability to hold companies to account than the Leicestershire Pension Fund as a single entity. Pooling of resource enabled stronger engagement, which was further enhanced through Central's use of Hermes EOS, an active asset manager with a focus on positive engagement and intervention in order to improve RI performance and sustainability.

## **Action Taken by the Board**

The Local Pension Board has the power to write to employers where it holds concern. At our meeting on 3 February 2020 we were informed by the Pensions Manager of new admission bodies Cleantec and Mellors Catering and outsourcing employers, Beacon Academy, failure to sign legal documents in relation to Transfer of Undertakings Protection of Employment, which resulted in a delay for scheme members joining the scheme. Despite the best efforts of the Fund the cases had been ongoing since 1 September 2019. We requested that the Pensions Manager write again to Beacon Academy, Cleantec and Mellors Catering expressing the Board's concern regarding the lack of admission and bond agreements.

Since that letter Beacon Academy and Cleantec have now progressed the agreement, however we remained concerned that Mellors continue to be unwilling to co-operate with Fund officers, to which a further warning letter was issued in September 2020.

We continue to receive updates on this matter as part of the quarterly administration reports from the Pension Manager and will monitor the situation.

## **Looking ahead to 2020/21.**

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. We are also awaiting further guidance and information relating to the impact of the McCloud ruling on the Fund and whether it will require recalculation of all post 2014 final salary scheme benefits and the impact this could have on resource within the Pensions Section.

The area of employer risk and governance is also a growing area of focus for the Pensions Section, and the required resource will be allocated accordingly. We will further await guidance from the Scheme Advisory Board's Good Governance project

with regards to further action to be taken and will continue to monitor the Fund's progress made towards the review and recommendations by Clare Scott the Fund's Independent Advisor as part of the review of the Fund's Governance.

## **Training Policy**

The Fund's **Training Policy** was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

The 2013 Public Service Pension Act requires that members of Local Pension Boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
  - any document recording policy about the administration of the scheme
- Local Pension Board members must also have knowledge and understanding of;
- the law relating to pensions, and
  - such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board. The Leicestershire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Members of the Board complete self-evaluation forms on an annual basis assessing their knowledge in terms of General Understanding, Funding and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and following meetings delivered by officers or the Fund's providers such as the Actuary and independent adviser.

While this Annual Report is written from 1 December – 30 November it is worth noting that following adoption of the Training Policy in November the Board undertook a comprehensive training programme to refresh all Board Members knowledge, to provide each Member with a thorough information base to build upon.



The attendance log for training undertaken following Board Meetings is as follows:

	<b>Member Self Service</b>	<b>McCloud</b>
	<b>2 December 2019</b>	<b>26 October 2020</b>
<b>Mrs. R. Page</b>	✓	✓
<b>Mr. R. Shepherd</b>	X	✓
<b>Cllr. E. Pantling</b>	x	✓
<b>Ms. C. Fairchild</b>	✓	✓
<b>Ms. R. Gilbert</b>	✓	✓
<b>Ms. D. Haller</b>	✓	x

Given there have been a number of recent changes both within the LGPS, and externally in the broader pension's environment all Board Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central.

Members of the Board also attended the Annual LGPS Governance Conference held on the 23-24 January 2020.