

CUMBRIA PENSIONS COMMITTEE

Meeting date: 16 June 2022

From: Pam Duke, Director of Finance (S151 Officer)

UPDATE FROM THE CUMBRIA LGPS LOCAL PENSION BOARD

1.0 EXECUTIVE SUMMARY

1.1 This report summarises matters discussed by; issues arising from; and any recommendations made by the Cumbria LGPS Local Pension Board (CLPB) at their recent quarterly meeting, held on 13 April 2022.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 The purpose of the Fund is to pay Cumbria LGPS members' pension benefits in accordance with regulations and in a secure, affordable and sustainable manner over the short, medium and long term. To do this, the Fund seeks to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;**
- manage employers' liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;**
- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and**
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.**

2.2 Good governance and risk management will aid the Fund in ensuring its regulatory responsibilities are met, a good service is provided to scheme members, costs are controlled, and its required investment return is achieved. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have a direct impact on the Fund Employers' revenue budgets.

3.0 RECOMMENDATION

It is recommended that Members:

3.1 Note the update from the Cumbria Local Pension Board.

4.0 BACKGROUND

- 4.1 The role of CLPB is to assist the Administering Authority in all aspects of the governance and administration of the Local Government Pension Scheme (LGPS).
- 4.2 In Cumbria the Pensions Committee and CLPB have shared training events; have access to respective Agenda and Papers; are invited to attend respective meetings; and a formal report is presented by the CLPB at each quarterly Pensions Committee meeting. This report summarises matters discussed by; issues arising from; and any recommendations made by the CLPB at their most recent quarterly meeting on 13 April 2022.
- 4.3 There were three reports on the agenda: Oversight of Pensions Committee Decisions and other matters, Review of Board Policies including Training Policy and 2022-23 Plan and Review of Pensions Administration Matters. The Board also received an update from the Managing Director – Local Pensions Partnership Administration (LPPA) which is a standing item on the Board agenda, and a presentation by the Director of Finance and Senior Manager - Pensions & Financial Services providing an update on Local Government Reorganisation (LGR).

Committee Papers

- 4.4 A Board member queried the budgeted costs for the administration of the Fund, and whether they have been compared with other LGPS funds of a similar size. The Senior Manager – Pensions and Financial Services commented that the Fund was part of CIPFA Benchmarking and that this information would be shared with the Board when it became available.
- 4.5 A Board member queried the inclusion of Commercial and Residential property in the “Inflation-linkage” category in a table setting out the investment allocation targets for the Fund as reported to the March meeting of the Pensions Committee at section 3.1.2 of agenda item 17. The question related to whether this was appropriate given how other factors such as the pandemic and how people work and live may impact on these asset classes. A written response was provided to Board members setting out the rationale for their inclusion in the category.

Risk Register

- 4.6 The Board discussed the risks highlighted on the Fund’s Risk Register. There was some discussion around the newly added Local Government Reorganisation (LGR) risk and it was noted that although LGR could have a ‘significant’ impact on the Fund, it was being well managed. As such it currently had a green RAG rating.

- 4.7 A Board member queried how inflation would affect pensioners and what, if any, implications there were for investments. The Senior Manager – Pensions and Financial Services commented that the potential for increased inflation over the long term was a major concern. From an investment perspective as a long term investor the Fund shouldn't be looking to make "knee jerk" changes, however in light of scale of the issue, it had been discussed with the Investment Advisors and Investment Managers. Furthermore, the Fund was working with the actuary to consider the impact of inflation the current triennial valuation and was planning to undertake a review of the Investment strategy thereafter.
- 4.8 A Board member raised the matter of the Fund's currency exposure and the associated risks. In response to this Officers and Clare Scott (Independent Advisor to the Committee) have undertaken a review of consideration of currency risk in the Fund's Risk Register to ensure it appropriately reflects the consideration of the risk in setting the investment strategy. Consequently, the current controls and measures to respond to risk 3.1, Investment Performance, have been amended to provide further clarity of the controls and measures in place. The outcome of this work is reflected in the current Risk Register appended to the part 1 Quarterly Monitoring Report on today's agenda.

CLPB Work Plan

- 4.9 Following discussions at the last Board meeting, a draft work plan for the Board had been produced by officers and is attached at Appendix 2 for information. This included standing quarterly and annual items such as reviewing the risk register and annual policy reviews. It also included additional Board specific work in respect of current and emerging issues that are expected over the coming year which it is proposed will be allocated to the Board to consider in more detail. An example of this is the Fund's approach to cyber security, which will be considered by the Board at their July meeting. The work plan was approved by the Board and will form a standing item on the Board's future agendas.

Data Quality

- 4.10 The Cumbria Pensions Committee has tasked the Board with the responsibility for monitoring future progress against the data quality improvement plan and reviewing the Fund's response to the Good Governance Review. The Board were informed that targeted work by officers ahead of the Fund's actuarial valuation at 31 March 2022 to ensure data was as up to date as possible had led to significant improvements in the number of outstanding leaver forms and that data continues to be of a good quality.

LPPA

- 4.11 The Board welcomed an update by the Managing Director of LPPA, and in particular on the implementation of Project PACE, the replacement of the Pensions Administration system used by LPPA. The project was currently at the halfway point, with Cumbria expected to migrate in October during Phase Two. (N.B. Subsequent to this, LPPA has noted that the

implementation of Phase Two will be staggered over a period between October and December. This is designed to minimise disruption to members and employers. It is now anticipated that Cumbria will migrate by early December.)

- 4.12 It was noted that it was expected that there would be a short term dip in service during implementation, in particular due to the changes being implemented at a very busy time in terms of the current regulatory environment. The Board were reassured that where LPPA do experience pressure they will prioritise work as required to minimise any disruption in payments to those in most need.

Website

- 4.13 Officers noted that a new website was currently being procured for the Fund. During the development stage, Officers noted that they would welcome Board members comments on the content, look and feel of the draft website.

Employer performance

- 4.14 The Board discussed employer performance, and the traffic lighting system which has been developed to assist with reporting this in the most effective way to the Board. Further to a recommendation at the January Local Pension Board, the traffic lights are now additionally showing the number of occurrences during the quarter that each employer breached either regulatory or fund policy within each of the four areas being monitored. This enhanced level of reporting was welcomed by the Board.

5.0 OPTIONS

- 5.1 The Pensions Committee may note the update from the Cumbria Local Pension Board or alternatively seek further information from the Director of Finance (S151 Officer) or the Chair of the Local Pension Board.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 6.1 Improved governance aids the Fund in running efficiently and effectively, controlling costs and helps to achieve its actuarially defined investment returns.

7.0 LEGAL IMPLICATIONS

- 7.1 Part 2H of the Constitution 2.1(l) provides that it is a function of the Committee to receive minutes and consider recommendations from the Cumbria Local Pension Board. SD 31/05/22

8.0 CONCLUSION

- 8.1 In its role in assisting the Administering Authority, the Terms of Reference of the Cumbria LPB require that it reports at least twice yearly to the Pensions Committee on matters reviewed and suggestions for their consideration.
- 8.2 There are no areas of concern to highlight to Members.

Pam Duke
Director of Finance (S151 Officer)

16 June 2022

APPENDICES

Appendix 1 **Draft Minutes of 13 April 2022 Cumbria Local Pension Board Meeting**

Appendix 2 **CLPB Annual Work Plan**

Electoral Division(s): All

Executive Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
Key Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Has this matter been considered by Overview and Scrutiny? If so, give details below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No
Has an environmental or sustainability impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Has an equality impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

No previous relevant decisions.

REPORT AUTHOR

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