



Pension Fund Board minutes

Minutes of the meeting of the Pension Fund Board held on Wednesday 19 July 2023 in Jubilee Room, The Gateway, Gatehouse Road, Aylesbury, Buckinghamshire, HP19 8FF, commencing at 10.00 am and concluding at 12.15 pm.

Members present

P Dearden, R Ellis, T Pearce, A Rulton, I Thompson and J Whiteley

Others in attendance

C Lewis-Smith, M Preston and S Price

Apologies

B Black and J Edwards

Agenda Item

1 Apologies / Declarations of interest

Apologies were received from Bev Black and Julie Edwards. A declaration of interest was reported from T Pearce who was potentially affected by the £95k exit cap.

2 Minutes of the Pension Fund Board

RESOLVED Members of the Board AGREED the minutes of the Pension Fund Board held on 29 March 2023.

The following matters arising were discussed:-

- With regard to the meeting held with other LGPS providers and raising the issue of an increasing number of appeals relating to transfers being submitted from claims management companies Members noted that only two appeals had been submitted for Buckinghamshire. Some of these appeals regionally were because transfer checks had not been undertaken correctly. However, this was not the case for Buckinghamshire. Some LGPS providers had upheld some of the appeals submitted. There was a possibility any of these appeals could be referred to the Ombudsman. More appeals could be submitted in the future.
- My Pensions Online – developments to Heywood software had taken place (Transformational Member Experience/TME) and would provide more flexibility. Testing would be carried out in September and it would go live late

December/early January. There would also be two factor authentication. Following a question it was noted that once testing had taken place an email would be sent out informing employees of the software development and in that email they would be asked to input information regarding their mobile number if SMS functionality was included.

- Reference was made again to difficulty in accessing back copies of newsletters via My Pension Online – some pdf's open and others do not taking the employee to the main webpage for Buckinghamshire Council. This would be referred to M Da Costa to investigate. P Dearden would provide information on those he found difficult to open.

Action

3 Terms of Office

C Lewis-Smith, Pensions Administration Manager reported that Members of the Pension Fund Board had been written to, to confirm their reappointment to the role of representative on the Board. Members had been asked to sign the document and return it to the Pensions Administration Manager. The Chairman asked for clarification that all the Members of the Board would not retire at the same time to ensure consistency. Some Members of the Board had been representatives for three years but other Members were reasonably new so this should ensure continuity in the future.

4 Minutes of Pension Fund Committee

RESOLVED that the Minutes of the Pension Fund Committee held on 5 July 2023 be noted.

The following matter arising was discussed on the accounts. The Vice-Chairman queried whether other local authorities could not sign off their accounts because the auditors had not signed off the Buckinghamshire Council accounts. The Assistant Director of Finance reported that the auditors had issued a public statement why they were unable to sign off the 20/21 accounts and that they were aiming to sign them off at the end of the year. The audit of the Pension Fund accounts for 2022/23 would start at the beginning of August and should be completed by the end of August. There had been a change in Audit Director at Grant Thornton. The only issue was that whilst the Buckinghamshire Council accounts had not been signed off, they could still be subject to change, for example any new audit requirements that arise in the meantime. The Vice-Chairman commented that a letter had been written to CIPFA commenting that if the Pension Fund accounts had been signed off, then the delay in signing of the host authority's accounts should not impact any other local authorities accounts being signed off. Members also noted that a number of other authorities across the Country were in the same position as Buckinghamshire. The issue for Buckinghamshire Council was that it became a unitary council in 2020 which made the accounts more complex. The representative from Milton Keynes Council commented that they had issues with their accounts being signed off as well.

5 Review of Buckinghamshire Pension Board Policies

The Pensions Administration Manager reported that the Boards Terms of Reference,

Code of Conduct, Conflicts Policy and Knowledge and Understanding Framework attached as Appendices to the report were reviewed annually.

She reported on the following changes:-

Terms of Reference

Reference to Chair to be changed to Chairman.

22. The Administering Authority will pay allowances for Board members as follows:

- a) Board member's allowance of £926 per annum.
- b) Chairman's allowance of £4,678 per annum.

Knowledge and Understanding Framework

4.3 Seminars for Local Pension Board Members are hosted by CIPFA twice yearly which members are invited to attend.

During discussion the Board Members noted that CIPFA were no longer doing half day training sessions but were offering specific training requests to individual Councils. The Chairman reported that the legislation updates from Squire Patton Boggs were very helpful, however they had a limited circulation list. Members also noted that Jeff Houston (Barnett Waddingham) may also provide some training; he was Head of Pensions at the Local Government Association and Barnett Waddingham also had an employee who could provide training who was a Pensions lawyer. If Members of the Board required any bespoke training they should contact the Pensions Administration Manager. The Vice-Chairman commented that the bulletin provided often covered legislation changes. The LGA offered an Investment Cost Transparency training on 20 September if any Board Members were interested. The Chairman was attending and would share any governance learning with the Board.

The Chairman made reference to 2.1 of the Knowledge and Understanding Framework where it was stated that Pension Board Members must be conversant with specific documents recording policy about administration. There were three documents which the Chairman thought should be removed from the list as the Board did not have access to them:-

Third party contracts and service level agreements
Stewardship reports from outsourced service providers
Audit reports from outsourced service providers

The Vice-Chairman also made reference to the removal of accounting requirement relevant to the scheme.

The Board agreed that this level of detail was not required and that these documents should be removed from the list. The Pensions Administration Manager reported that these documents were added in as standard when Pension Fund

Boards were established but the Board were not required to know this level of detail. Officers could draw out any issues that needed to be brought to the attention of the Board.

Action

RESOLVED that the Terms of Reference, Code of Conduct, Conflicts Policy and Knowledge and Understanding Framework attached at appendices 1-4 of the report be agreed.

6 Pension Fund Annual Report 2022/23

The Fund was required to draft an Annual Report each year in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The Annual Report included the governance arrangements of the Fund, scheme administration, financial and investment performance, the pension fund accounts and the Fund's policy statements.

Members noted the following highlights:-

- Membership of the Fund increased by 1.1% from 85,809 at 31 March 2022 to 86,759 at 31 March 2023
- The Fund paid out a total of £132,997,000 in pension benefits
- The Fund collected a total of £165,961,000 in contributions
- The triennial actuarial valuation estimated the funding level increased from 94% on 31 March 2019 to 104% on 31 March 2022
- Net assets available to Fund benefits were £3,741,873,000
- On 31 March 2023, 96% of the Fund's assets had been transitioned to the Brunel Pension Partnership.

The Assistant Director of Finance reported that there were gaps in the report currently whilst they were waiting for the accounts to be signed off.

With regard to financial performance the Vice-Chairman referred to the variation in forecast and actual figures. The forecast was £180 million and the actual figure was £138 million. There was also a change in market value of investments of £150 million per year. A question was asked whether there was a decrease in the fund over the next four years. The Assistant Director of Finance reported that he would provide a written response on this question.

Action

The Chairman reported that she had some minor amendments to make which she would send over in an email. She also asked that pages 1-44 of the Annual Report be brought back to the Board once they had been finalised.

Action

RESOLVED that the draft Buckinghamshire Pension Fund Annual Report for the year ending 31 March 2023 be noted.

7 Buckinghamshire Pension Fund Accounts to 31 March 2022

The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022 were attached as an Appendix to the report. The Pension Fund accounts and Net Assets Statement showed that in the year to 31 March 2022 the value of the Buckinghamshire Pension Fund increased by £275m to £3.913bn. This had reversed the downward trajectory. Grant Thornton anticipated issuing an unqualified audit report.

Audit work remained on track to meet the anticipated December 2023 date for sign off of the 2020/21 accounts and April 2024 for sign off of the 2021/22 accounts. The national position with outstanding audits remained cause for concern. In relation to 2021/22 accounts, 74% of local authorities remained outstanding with their accounts whilst around 30% of 2020/21 accounts remained outstanding. Given this was the case nationally, Government and regulatory bodies were considering a solution to the national position which could accelerate things, although at this stage the solution was not clear.

Members noted that these accounts had been considered by the Audit and Governance Committee who had commented that with the number of sets of accounts being dealt with at the same time there was a risk of the Committee not having a clear understanding of where they were with having approved and commented on the different accounts including the overall Council accounts and the Pension Fund Accounts. The Committee heard that the work completed on the 2020/21 accounts to date had not raised any fundamental issue in terms of the accounts or declared provisional outturn positions. Assurance was given that there was a sound system of internal control, and the fundamental position was strong.

With regard to the 21/22 accounts, four recommendations were identified because of issues identified during the audit. The recommendations related to IT deficiencies, investment management expenses, employer body changes and errors identified from member data controls testing. Details of the issues and risks and recommendations were documented on pages 19 to 21 of the Audit Findings Report. The management response to the draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31st March 2022 was attached at Appendix 3 of the report. The Assistant Director of Finance reported that with regard to IT deficiencies there were not issues of concern with regard to the Pension Fund accounts and this was more of a technical recommendation relating to the main accounting system and rights being assigned to individuals.

The total membership of the Fund had increased from approximately 77,000 to 80,000. On 31 March 2022, the market value of the assets held were £3.91bn, sufficient to cover 104% of the accrued liabilities assessed on an ongoing basis so the Fund was fully funded. However, it was important to still be cautious with regard to an upward trajectory, particularly with ongoing instability such as the war in Ukraine. Reference was made to Note 21 and other scheduled and admitted bodies highlighting that some contracts were coming to an end.

The Pension Fund Board congratulated officers on their work.

RESOLVED that the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31st March 2022 be noted.

8 McCloud Update

When the Local Government Pension Scheme (LGPS) changed from final salary to career average earnings accrual on 1 April 2014, an underpin to protect older scheme members was introduced. In some form, protections applied across all public sector pension schemes. Appeals were submitted in the judges and firefighter's schemes regarding their protections and on 20 December 2018, the Court of Appeal ruled that the protections were unlawful on the grounds of age discrimination. Although the ruling only applied to these two schemes, the government confirmed it would be applied to all public sector pension schemes.

The Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on 16 July 2020 with proposals for changes which would remove discrimination from the LGPS. The consultation closed on 8 October 2020.

On 13 May 2021, Luke Hall, Minister of State for Regional Growth and Local Government made a ministerial statement confirming that

- The age requirement for underpin protection would be removed
- A member would not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- The remedy period would end on 31 March 2022
- The underpin calculation would be based on final pay at the underpin date, even if this was after 31 March 2022
- There would be two stages to the underpin calculation: the first on the underpin date which was the date of leaving or age 65 if earlier, the second when the benefits were paid
- The regulations would be retrospective to 1 April 2014.

MHCLG, now the Department for Levelling Up, Housing and Communities (DLUHC) were originally expected to issue a full response to the consultation and publish draft

regulations by the end of 2021. DLUHC finally published their full response on 6 April 2023 confirming the above. In addition to the full response, DLUHC announced a further consultation would follow, seeking general views on some areas and technical/implementation comments in others. General views were sought on the following areas:-

- Aggregation - determining the rules applicable to decide whether a member with multiple LGPS memberships had underpin protection in some or all of these.
- Club transfers – determining the rules applicable to decide whether a member with previous membership of another public service pension scheme has underpin protection in respect of their LGPS membership.
- Flexible retirement – how the underpin should work in respect of flexible retirement, particularly for partial flexible retirement where a member did

not take all of their CARE benefits.

- Divorce – how the scheme’s divorce and underpin calculations interact. Pensioner and deferred members have an underpin date so any amount will be included in the Cash Equivalent Value (CEV).
- Injury allowances – how a retrospective increase to a member’s pension arising from the McCloud remedy may affect any injury allowances payable.

Technical/implementation comments were sought on the following areas:

- Excess teacher service – the retrospective admission to the LGPS of certain teachers who have multiple employments.
- Compensation – the circumstances where a member might be paid compensation where they have suffered a loss relating to the age discrimination found in the McCloud case/remedy.
- Interest – the interest terms that would apply where payments were made later than would have been the case, due to the McCloud discrimination.

The Pensions Administration Manager reported that there was an administrative burden collecting this additional information with a suggestion that the LGPS could be able to use an existing national database to assist with other public sector scheme membership. A Board Member suggested using the National Fraud Initiative database for national insurance numbers. However, this would not pick other information required. The Vice-Chairman also commented that most employees were likely to transfer their previous pensions into the LGPS as it was such a good Scheme, although it was recognised that the police and fire pensions were also good. This judgement created a lot of work for a small percentage of employees. Fortunately, the NHS had collected data for their Members.

In terms of Buckinghamshire the Pensions Administration Manager reported that there were 379 employers/payroll providers who were required to provide hours and service break data for the underpin period. All requests for historical data had been issued. To date, 318 employers had returned their data template (83.91%). Some employers/payroll providers might not be able to provide the data. The Local Government Association (LGA) had issued guidance for steps to be taken where data was not provided and this was currently being reviewed. The average hours for each scheme year could be considered as long as it was fair and proportional.

The data matching issues raised with the Fund’s system provider had now been resolved and officers had received data verification tools. Data had been uploaded for 276 employers/payroll providers. Phase 1 of data verification was validating the data provided and this had been actioned for 15 employers. Phase 2 of data verification was data comparison which would begin shortly. Phase 2 would require transition of the additional McCloud resource from the Benefit Administration Team. Members noted that all major employers of the Scheme had sent in their data. The Chairman asked if additional resources would be required with the transfer of data and the Pensions Administration Manager reported that it would be difficult to know until that stage of the process whether they would need a temporary resource. Three officers and one senior officer had been allocated to McCloud

currently but this was being kept under review. The Pensions Administration Manager reported that Project management software would be required to track the progress of McCloud and software would help with the calculations. One of the issues was whether death benefits had been paid with the underpin and they may need to contact beneficiaries. Another issue was where employees had transferred previous LGPS membership into the Scheme and it could be difficult for the previous fund to get hours and service break data from the previous employer.

RESOLVED that the current position regarding the McCloud remedy be noted.

9 Forward Plan

The Forward Plan was noted with the following changes:-

- Relevant section of the Annual Report to be brought back to the next meeting once the gaps had been filled on the accounts.
- The actuarial valuation to be removed from the December meeting

In addition it was agreed that the Pension Fund Board should meet face to face where possible.

10 Annual Benefit Statements - Administration Year End Update

The Assistant Pensions Administration Manager reported on the current position with regard to annual benefit statements.

Year-end returns submission

As a result of i-Connect, year-end returns were only required from 23 scheme employers; 2 who were not yet onboarded to i-Connect and 21 employers who onboarded mid-year so were still required to provide a return for the first year. The remaining employers were not required to provide a year-end return as data was submitted monthly via i-Connect with the March 2023 data being submitted by 19 April 2023. All returns had been received. 16 employers were issued fines for late submission.

Queries

Following receipt of either the year-end return or March i-Connect submission, reconciliation checks had taken place with all queries being issued to employers between April & the end of June 2023. Overall, 1257 queries were issued to employers with just 197 queries outstanding as at 6 July 2023. These 197 queries were over 49 scheme employers.

Annual Benefit Statements position

248 scheme employers had no outstanding queries and were ready for statements to be issued to active scheme members. Communications were just being finalised with the aim to start issuing statements mid-July. Benefit statements for deferred scheme members were issued in June 2023.

The Board congratulated the Administration Team for all their hard work as the Annual Benefits Statements could now be issued for the following week.

RESOLVED that the report be noted.

11 Administration Performance Statistics

The Board received a report on the performance of the Pensions Administration Team as follows:-

Incoming Communications

The table in the report showed an average daily incoming communications of 240 with a total of 14,398 for the first quarter of 2023/24. There had been a reduction in the more traditional forms of communication and an increase in electronic communications particularly going through My Pensions Online and i-Connect. Two years ago the Council had received 2,500 items of post on average which had now reduced to 1,500.

There was a target of 95% calls answered with an average queue time of less than 40 seconds. Over the first quarter of 2023/24, 99.42% of all calls received were answered with an average queue time of 16 seconds.

Workload/Performance Levels

Benefit Administration - Priority Areas

The target was to achieve a minimum of 95% of priority tasks completed within relevant turnaround times and this was reported on quarterly. The average over 2022/23 was 97% with quarter 1 of 2023/24 at the same level. The one area which impacted the figures were AVC's which was at 64% which was a direct result of the performance issues that they were having with providers. Officers were working with them to improve performance.

Open and overdue cases

There were less than 30% of cases overdue. In terms of length of time these cases have been overdue, as at 6 July 2023 there are 186 cases that were due for completion before 31 March 2023. Of these 186 cases, 172 are waiting for information from a scheme employer/scheme member/next of kin, 7 where information had been received within the last 2 days and 7 waiting to be checked and completed.

Employer submissions/data reconciliation

Employers were due to submit data via i-Connect by 19th of each month. The aim was for 100% submission by the deadline however whilst i-Connect was still relatively new for some employers, the target was 95% with the intention of this increasing to 100%. 24 employer submissions were after the deadline. Over quarter 1 of 2023/24, 2673 reconciliation reviews took place. Additional annual checks took place in April, but the average monthly checks sat at around 500 cases.

Data Improvement

The main area of data errors related to deferred scheme member addresses. Bulk tracing took place on an annual basis and a recent list of over 1000 deferred members had been sent to a tracing company.

Scheme member movements

Due to the current financial situation, the Board had asked for a report to keep track of member opt outs & 50/50 scheme elections. In Quarter 1 45 employees had opted out. The Board were assured that the opt out form completed by scheme members did provide sufficient information on the benefits that would be lost by opting out of the scheme. In terms of last year the figures had varied across the quarterly reporting but had been similar.

50/50 Scheme

In Quarter 1 the main scheme to 50/50 was 25 and 50/50 to main scheme was 3.

RESOLVED that the report be noted.

12 Exclusion of Press and Public

RESOLVED

That the press and public be excluded for the following items as they were exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because they contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 Administration performance Statistics - Confidential Appendix

RESOLVED that Members of the Board note the update.

14 Confidential minutes of Pension Fund Board

RESOLVED: That the confidential minutes of the Buckinghamshire Pension Fund Committee held on 29 March 2023, be approved as a correct record.

15 Confidential minutes of Pension Fund Committee

RESOLVED: That the confidential minutes of the Buckinghamshire Pension Fund Committee held on 21 March, be noted by the Board.

16 AVC Review

RESOLVED that the current position with AVC providers be noted.

17 Pension Fund Performance

RESOLVED that the investment performance of the Pension Fund for the first quarter of 2023 ending 31 March 2023 be noted.

18 Date of next meeting

Thursday 26 October at 10am.