



## Pension Fund Board minutes

Minutes of the meeting of the Pension Fund Board held on Tuesday 30 July 2024 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.12 pm.

### Members present

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

### Others in attendance

J Edwards, C Lewis-Smith, S Price and H Thomas

### Agenda Item

#### **1 Apologies**

There were none.

#### **2 Declarations of Interest**

There were none.

#### **3 Minutes of the Pension Fund Board**

The Chairman noted that the DLUHC LGPS Pooling Consultation was mentioned in the Minutes of the Pension Fund Committee, under agenda item 8.

It was confirmed that the My Pension Online (MPO) dashboard was still not active, and so data detailing how members used the MPO portal was limited. It was hoped that this would be ready in time for the annual MPO report at the March 2025 Board meeting.

It was agreeable to Board members that an update be provided on the percentage of registered scheme members that had fully transitioned from the former TME member portal, to the 'Heywood Engage' site at the next Board meeting.

**Action: Assistant Pensions Administration Manager**

#### **RESOLVED –**

That the minutes of the Pension Fund Board meeting held on 27<sup>th</sup> March 2024 be agreed as a correct record.

#### **4 Minutes of Pension Fund Committee**

The Board noted the government's response to the DLUHC LGPS Pooling Consultation at agenda item 8. The chairman was pleased to note that all the revised guidance on annual reports had been included in the 2024 Buckinghamshire Pension Fund annual report.

Board members were pleased to note that the 2020/21 Statement of Accounts for Buckinghamshire Council had been formally signed off by Grant Thornton, the external auditors, and that as a consequence, the Buckinghamshire Pension Fund Accounts and Annual Report for 2020/21 had also been formally signed off.

It was also confirmed that the Parliamentary Legislation related to the proposed backstops within the DLUHC's cross-system statement on proposals to clear the backlog of local audits in England had not been passed due to the calling of the general election. Nevertheless, auditors were working as if the necessary legislation was in effect, with a view for the 2021/22 and 2022/23 accounts to be signed off by year end. Changes to the audit requirements in legislation, which necessitated more stringent testing had also contributed to delays. Clarification was given that this situation was not unique to Buckinghamshire Council, and was also being experienced by other Councils, with approximately 1000 outstanding accounts across the UK. The Buckinghamshire Pension Fund Accounts and Annual Reports for 2021/22 and 2022/23 had been audited but would not be formally signed off until Buckinghamshire Council accounts for those years were formally signed off.

#### **RESOLVED –**

That the minutes of the Pension Fund Committee be noted.

#### **5 Review of Buckinghamshire Pension Board Policies**

The Board's Terms of Reference, Code of Conduct, Conflicts Policy and Knowledge and Understanding Framework had been reviewed for this year, in accordance with Guidance on the creation and operation of Local Pension Boards, issued by the Scheme Advisory Board (SAB), and were submitted to the Board to note.

The only material changes were relevant to the Terms of Reference. Section 11 had been updated to reflect The Pensions Regulator's (TPR) expectations of a Chairman, as set out in the General Code of Practice. Section 15 had been updated to confirm there was no maximum period applied to a Board member's cumulative period of membership. Section 22 had been updated to reflect the increase to allowances on 1 July each year in line with the September increase in the Consumer Prices Index.

It was confirmed that the team undergoes an internal audit on an annual basis, including an action tracker to detail outstanding issues, which was reviewed by the Audit and Governance Committee. The last Internal Audit took place in November 2023. Details would be circulated to Board members.

**Action: Pensions and Investments Manager.**

It was agreeable to Board members that a review of the Knowledge and Understanding Framework should be undertaken, to ascertain where appropriate training needs, analysis or other processes may be of use to members to maintain the required level of knowledge and understanding to carry out their role on the Board.

**Action: Pensions Administration Manager**

It was agreeable to members that an expanded Internal Dispute Resolution Process report be included in future to give a more detailed breakdown of the types of complaints received.

**Action: Assistant Pensions Administration Manager**

**RESOLVED –**

That the report be noted.

**6 Buckinghamshire Council 2020/21 Accounts**

The Pensions and Investments Manager confirmed that her verbal report had already been covered in respect of the status of the various accounts discussed during consideration of the minutes of the Pension Fund Committee meeting.

**7 Pension Fund Annual Report 2023/24**

The Board placed on record its thanks to all those who worked on the annual report, and ensuring compliance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

It was noted that new guidance allowed for summaries of the Pension Fund Policies to be included in the report, as opposed to each policy being included in full.

Board members noted the following highlights:

- Membership of the Fund increased by 2.11% from 86,773 at 31 March 2023 to 88,601 at 31 March 2024
- The Fund processed 1,200 retirements during 2023/24
- The Fund paid out a total of £148,251,000 in pension benefits
- The Fund collected a total of £179,360,000 in contributions
- Net assets available to Fund benefits were £4,138,251,000
- On 31 March 2024, 97.7% of the Fund's assets had been transitioned to the Brunel Pension Partnership.

£10.7 million had been saved in investment fees through the pooling investment, compared to the same investment in those asset classes without it. Attention was drawn to table 7, which gave a more detailed breakdown of the 2023/24 savings from pooling, as well as table 8, detailing Cumulative Investment Fee Savings and

table 11 detailing investments in the UK.

37 General complaints had been received outside the IDRPs, with 6 IDRPs and 2 Ombudsmen cases.

Attention was drawn to the Summary of key projects undertaken by the Pension Administration Team during 2023/24 on page 57, as well as the high completion rate of casework on page 63.

#### Statement of Accounts for the year ended 31<sup>st</sup> March 2024

2022/23 Management Expenses had been restated to a total £30.527 million. This was due to certain expenses, particularly property assets being underpaid. This would impact some figures, such as net assets claimed in the 2022/23 accounts, which would be asterisked for clarity.

The Pension Fund Account and Net Asset Statement showed that in the year to 31<sup>st</sup> March 2024, the value of the Buckinghamshire Pension Fund increased by £422m from £3.742bn to £4.164bn. This was the net result of the contributions made (£209m) including transfers in from other pension schemes, employers and employees contributions; payments out £166m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £34m plus net returns on investments (£414m).

Board members were made aware that for 2023/24, Brunel, the pooling authority, reclassified most Pooled Property as Level 3 for 2023/24. The relevant tables for 2022-23 had been restated according to this new classification, to aid comparison. More detail could be found in note 12 of the Statement of Accounts.

On an IAS 19 basis, the Net Liability/asset stood at a surplus of £98.78m as of 31<sup>st</sup> March 2024.

In relation to Additional Voluntary Contributions, there was a lack of data in relation to 2022/23 and 2023/24. It was confirmed that Scottish Widows were working on this and will have the information in time for the final accounts publication.

Members sought clarification on the difference between asset levels. Level 1 assets were publicly traded, Level 2 assets were not traded on an open market, with fund managers determining valuations using recognised pricing techniques. Level 3 investments were valued quarterly, or in arrears up to three months, which was typical of property assets. Brunel had provided guidance on their rationale for their reclassification of Pooled Property to Level 3.

#### Further Questions from Members

Regarding the underperformance of 1.1% over the three years to 31 March 2024, it

was confirmed that the benchmark by which the performance was measured was bespoke to Buckinghamshire, but with some standardisation with other Brunel funds in particular categories. The Pension Fund Committee was aware of the persistent underperformance over the period, and Brunel representatives were due to attend the September meeting of the Committee, where this could be explored further. It was expected that some of the underperformance would be attributed to the fund's exposure to oil and gas investment relative to others, on account of those stocks performing very well as set against Brunel's Green agenda. The performance of the, 'Big Seven ETF' stocks was also highlighted as a potential contributing factor relative to the fund's exposure to this. It was also stressed that too great an exposure to particular, more volatile stocks was also a risk.

It was clarified that the report should read that members could, 'choose to voluntarily retire between age 55... and age 75'.

The Board members noted the low attendance figures for some members of the Pension Fund Committee and expressed their concern.

Regarding the total management fees paid to Brunel in 2023/24, it was clarified that these were primarily paid externally, and the fund had higher transaction and share sales costs that had been reported in previous years. It was also stressed that there was greater exposure to private markets which also incurred larger fees. On a class-by-class basis, there was a saving in fees post pooling, and the Buckinghamshire Council Fund's savings were now in excess of pooling costs. It was acknowledged that this was difficult to track due to the evolution of asset allocation strategy.

In relation to the amount of savings made through the pooling process and how this is reflected in the report, attention was drawn to table 7 on page 88 of the reports pack. It was highlighted that the fund was paying £4.039 million in additional costs due to the asset structure, but saving £10.732 million due to the different assets, and paying lower fees than 31 March 2016.

In relation to the figure of 195 Ceased Fund Employers in table 6 on page 99 of the reports pack, it was clarified that the figure represented the total fund, not just for a single year, and appeared high due to the inclusion of employers who had been unsuccessful in the year three retendering process. Therefore, they were listed as 'ceased employer', although the pension membership had not changed.

The figure of 7% of scheme members who rated themselves 'Very Unhappy' with the service was primarily attributed to IT-related issues experienced by individual members, such as My Pension Online or the inability to access their account when moving platform, and was not generally due to the general service they received. It was confirmed that this was reviewed regularly to identify areas where service provision could be improved for scheme members.

Regarding the reported per-member cost increase from £31.17 in 2023 to £34.71, officers confirmed that they would provide an update in the Internal Benchmarking

Report at the December board meeting. It was likely due to an increase in Heywood software costs, as well as administration and staffing costs.

**Action: Assistant Pensions Administration Manager**

It was clarified that the precise market price risk figures of 23.7% and 20.63% listed on page 136 of the reports pack were from Mercer, the investment consultant, who produced a statement explaining the level of expected volatility in each asset class, based on historic experience.

The fees for the 2023/24 main external audit had increased to £93.186k. Up from £43.375k the previous year. Officers confirmed that there had been a consensus that the fees in the previous contract had not been high enough, and that this new figure reflected a better valuation for the quality of the audit being undertaken. The 2023/24 contract was the last with Grant Thornton, and the Fund would move to KPMG for future audits. It was typical for these contracts to run for a three-year period to enable the development of a positive relationship with the auditor, but officers were happy to confirm the length of the contracts with members following the meeting.

**Action: Pensions and Investments Manager**

It was noted that there were two missing figures in pounds sterling on page 100 of the reports pack.

The Board was pleased to note the reduction in the value of pension overpayments written off, which was £3k in 2023/24, down from £10k the previous year. Officers confirmed that the processes by which these overpayments were identified, chased and repayment plans implemented had been improved, which had brought that figure down.

Board members were also pleased to note that the Fund exceeded the government target for investments in the UK, with 12.6%, as outlined in table 11 on page 91 of the reports pack.

The Chairman requested that officers check and confirm the figures for active, deferred and pensioner scheme members, as there was some discrepancy in the figures between pages 95 and 132 of the reports pack.

**Action: Pensions Administration Manager**

**RESOLVED –**

That the report be noted.

## **8 McCloud Update**

Only 18 employers/payroll providers had yet to provide full historical data out of 380. This equated to 95.26% of employers compared to 78.95% reported in December 2023.

236 employers/payroll providers were being processed at the validation (phase 1) stage of data verification, and it was expected that this exercise would be completed by 30 September 2024.

50 employers/payroll providers were being processed at the data comparison stage (phase 2), with 94 further employers completed. It was hoped that this process would be completed by 31 March 2025.

The McCloud calculation suite had not yet been switched on in bulk, due to a lack of data to complete each person's record. Retirement would therefore continue to be processed in the usual manner to ensure that payments would promptly reach scheme members, as very few people would trigger the underpin, and for those that did, it would be a relatively small amount of money that would delay their payments. In addition, a programme had been provided by Heywood which would assess the data since 1<sup>st</sup> April 2014 to identify anyone who triggered the underpin, assess arrears and write it all back into the system automatically.

It was confirmed that a final communication was being sent to the remaining 18 employers/payroll providers who had yet to provide their data to say that if they did not do so, Scheme Advisory Board (SAB) guidance methodology would be used to assess what that member's entitlement was believed to be based on their final pay and their cumulative pensionable pay. The employer and member would then be written to, outlining that calculation, and employees would be asked if they had evidence (such as an employment contract or P60), that could be used to adjust that calculation.

Phase 1 of the process was being processed manually, using an extensive data system provided by Heywood. At the calculation stage, the figures would be double-checked to ensure their validity. It was acknowledged that this was a lengthy project that would continue throughout the next 3-5 years.

Of the 18 employers/payroll providers, most were schools. It was confirmed that they could be charged under the SAB guidance for non-compliance and be isolated within the process to enable the remainder of the project to move forward. Officers would double check the number of people they represented.

**Action: Pensions Administration Manager**

**RESOLVED –**

That the report be noted.

## **9 TPR General Code of Practice**

A link to the General Code of Practice (GCoP) was provided in the covering report.

A compliance checker tool had been provided to the fund, which, when run against the new GCoP guidelines, showed 9 out of 15 areas being fully met by the Fund. Following discussions, TPR had indicated that where a Fund had undertaken an assessment of compliance in relation to the new code and any gaps in meeting the Code identified, that a plan for a period of 6 months would be deemed acceptable and that they would only intervene to the extent necessary to address harm or reduce risk. It was hoped that the Fund would be brought fully in compliance with the remaining areas by year end, when the compliance checker would be run again. A report updating the Board on the Fund's progress in this regard would be brought to the March meeting.

It was noted that the Fund's compliance with risk management guidelines stood at 80%, which was relatively low compared to other areas. Officers clarified that this may be due to internal control wording in the guidance. It was agreeable to members that an update be given to this at the next meeting. It was also agreeable to members that a short update be given in relation to overall progress on the Fund's compliance at the December meeting, prior to the main update at the March meeting.

**Action: Pensions Administration Manager**

**RESOLVED –**

That the report be noted.

## **10 Forward Plan**

It was agreeable to members that an update on the deadline statement of annual allowance be brought to the October meeting.

It was agreeable to members that the update on GCoP compliance be brought to the December meeting, as well as the more detailed breakdown of complaints received discussed in the review of the Buckinghamshire Pension Board's Policies.

**Action: Pensions Administration Manager and Assistant Administration Manager**

## **11 Annual Benefit Statements - Administration Year End Update**

The Assistant Pensions Administration Manager reiterated the statutory deadline to issue benefit statements to all active scheme members who were members of the scheme prior to April, before the end of August.

The team had been in a position to begin issuing statements from early June, ahead of schedule, and had completed 99% of those due to be issued. It was confirmed that 62 scheme members remained with outstanding queries, and the team was liaising with employers to resolve the issues.



A sweep up exercise had begun to examine approximately 200 instances of scheme records where there were no queries or generated statements. For most of these it was discovered that they started in mid-March and didn't receive pay until April, leaving nothing to issue.

The team was on track to issue 100% of statements this year. The impact of i-Connect and issuing and resolving queries with employers on a monthly, rather than yearly basis had, been a significant contributing factor to this effort.

The Board placed on record its thanks to the team for its work.

#### **RESOLVED –**

That the report be noted.

### **12 Administration Performance Statistics**

There was a target for 95% calls to be answered with an average queue time of less than 25 seconds. Over the first quarter of 2024/25, 98% of all calls received were answered with an average queue time of 45 seconds, an increase from last year. This was largely due to additional volume and complexity of calls caused by the transition from My Pension Online to TME. The team was still well below the average LGPS queue time of 196 seconds. It was suggested that the current target may need to be adjusted moving forward.

The team had exceeded their target to complete 95% of priority tasks within relevant turnaround times, having averaged 97.31% over 2023/24 and achieving 97.83% in Q1 2024/25.

93% of payroll queries/adjustments had been achieved between 1 April 2024 and 30 June 2024 which was slightly below target due to sickness absence but is back on track. This did not cause any delays to payments of benefits.

Good progress continued on working through open and overdue cases, and a breakdown of the makeup of these had been illustrated in the accompanying chart. Overdue death cases were regularly reviewed by a Senior Pensions Officer. Leaver and refund cases where they were due to be completed prior to 2024 had been allocated to staff within the benefit administration team to liaise with employers and the employer liaison team to resolve. There has been success since April 2024 with this approach.

It remained an ultimate target within the team aim for 100% of i-Connect submissions to be made by the deadline. However, whilst i-Connect was still relatively new for some employers, the target had been set at 95% with the intention of this increasing to 100%. In Q1 2024/25, 93.21% of submissions had been received. Of late submissions, 35% were received within 5 days of the missed deadline.

The Data Improvement statistics were positive. The main area of data errors relates to deferred scheme member addresses. An annual bulk tracing exercise was due to take place to redress this.

Work had commenced on the Annual Allowance exercise. The team identified cases where members had exceeded the allowance or were close to exceeding the allowance, and requested accurate pay information from employers. 37 had been issued in the past year, down from the usual 100 issued per year. This reduction was attributed to the increase in the annual allowance to £60,000. Pension Saving Statements would be issued in advance of the 6 October 2024 statutory deadline.

It was confirmed that 46% of the total scheme membership had registered for My Pension Online, with 43% having fully completed the transition as of 31<sup>st</sup> May 2024. It was agreeable to members that a short update on registration and transfer figures be given verbally at the next Board meeting.

**Action: Assistant Pensions Administration Manager**

**RESOLVED –**

That the report be noted.

**13 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).

**14 Administration Performance Statistics - Contributions**

The Board commented on the contributions figures, and

**RESOLVED –**

That the report be noted.

**15 Confidential minutes of Pension Fund Board**

Board members discussed the confidential minutes and

**RESOLVED –**

That the confidential minutes of the meeting held on 27<sup>th</sup> March be agreed as a correct record.

**16 Confidential minutes of Pension Fund Committee**

Board members commented on the minutes and

**RESOLVED –**

That the confidential minutes of the Pension Fund Committee meeting held on 11<sup>th</sup> July be noted.

**17 Pension Fund Performance to 31st March 2024**

Board members made comments on the fund's performance.

**RESOLVED –**

That the report be noted.

**18 Date of Next Meeting**

It was noted that the next meeting was 15th October 2024 at 10am.

Members were reminded of the Brunel Investor Day in September, details of which had been circulated via email.

It was agreed that the next meeting would be fully in person.