

LOCAL PENSION BOARD (LPB)

Minutes of the Meeting

Date: Tuesday 22 February 2022

Time: 10.00-12.30

Location: Meeting room G.04, Ground Floor, 169 Union Street, London, SE1 0LL and via Teams MS Office

Present:	William Bourne Mike Allen Stephen Boon Sean Brosnan James Cherry Jasbir Sandhu Omolayo Sokoya Amy Sweeting Surendra Wanza	LPB Chair (“ Chair ”) Member representative Employer representative Employer representative Member representative (via MS Teams) Employer representative (via MS Teams) Member representative (via MS Teams) Employer representative (via MS Teams) Member representative
In attendance:	Helen Astle Peter Ballard Robert Branagh John Crowhurst Chris Dawson Anastasia Klimenko Alistair Peck Siobhán O’Shea	LPFA Chief Legal and Compliance Officer (“ CLCO ”) LPFA Funding & Risk Director LPFA Chief Executive Officer (“ CEO ”) LPP Administration Ltd (“ LPPA ”) Commercial Director (item 3 only) LPPA Head of Engagement and Communications (item 3 only) LPFA Chief of Staff LPFA Head of Communications and Engagement LPFA Governance Manager
Observer:	Mark Anderson Belinda Howell	LPFA Compliance and Regulation Manager LPFA Board Member

TRAINING: TRIENNIAL VALUATION ASSUMPTIONS

The Chair welcomed the LPFA Funding and Risk Director (“**LPFA FRD**”) who provided a presentation on the forthcoming triennial valuation process of the LPFA Fund (the “**Fund**”).

[The formal meeting commenced at 10:30.]

1. LPB142 – INTRODUCTORY MATTERS

Submission

- 1.1 To present an update on several matters arising in relation to minutes and action points from the previous meeting held on 23 November 2021.

Discussion

- 1.1 The Chair welcomed all attendees to the meeting, including Belinda Howell, LPFA Board Member, and Mark Anderson, the new LPFA Compliance and Regulation Manager, who were attending to observe. It was noted that the preference was to hold meetings in-person going forward.

1.2 Apologies

No apologies for absence had been received.

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Declarations of interest

- 1.4 No new interests were declared in advanced of, or at, the meeting. The LPB noted the standing declaration by the LPFA CEO regarding any administration matters under discussion relating to his role as the LPFA shareholder appointed statutory director representative on the LPPA Board.

Minutes, and actions points

- 1.5 The minutes from the last LPB meeting held on 23 November 2021 were approved and it was agreed that the Chair's electronic signature could be used to sign the document.
- 1.6 The LPB confirmed that it was satisfied with the status of all the action points reflected as completed or in progress. The LPFA Chief Legal and Compliance Officer ("**LPFA CLCO**") advised that the possible introduction of an LPB reading room was being considered as part of wider discussions regarding future arrangements for the LPFA Board portal for meeting papers.

The LPB:

1. **Approved** the minutes of the meeting held on 23 November 2021 as a true and accurate record of that meeting, and the use of the Chair's electronic signature to confirm the minutes; and
2. **Noted** the matters arising - action list including all the items which had been completed or closed.

2. LPB143 - CEO REPORT

Submission

To present an update on related Fund activities from the CEO since the last meeting held on 23 November 2021.

Discussion

- 2.1 The LPFA CEO introduced the report, outlining several recent and forthcoming staff changes and commenting that the current hybrid working arrangements had generally been positively received by staff, with plans to move to two days per week in the office from March 2022. It was reported that two new Board members had been recruited, one from the 2021 pool of candidates and the other a London Councils' nominee. Both candidates would be formally appointed from 1 April 2022, bringing the LPFA Board back up to its full complement of 11 members.
- 2.2 It was explained that the LPFA Board had approved the Strategic Policy Statement ("**SPS**") 2022-25 and Medium-Term Financial Plan ("**MTFP**") 2022-25 in December 2021. The LPFA CEO said that following submission of both documents to the Mayor of London for comment, a response had not been provided by the 31 January 2022 deadline. However, the Greater London Authority ("**GLA**") had given assurance that the delays were due to internal administrative issues within the GLA, rather than any issues regarding LPFA's strategy or budget, both of which would be tabled for approval at the LPFA March Board meeting. Further to a query regarding total Fund fees set out in the MTFP, it was explained that fees were charged at a rate of 10 basis points in accordance with the service level agreement ("**SLA**") between LPFA and Local Pensions Partnership Investments Ltd ("**LPPI**"), meaning that fees increased proportionally with investment performance. The LPB asked for training on the relationship between fees and pooling in the future. **ACTION: S O'Shea**
- 2.3 The LPFA CEO provided a brief overview of recent developments on Project Pension Administration Core Evolution ("**PACE**"), to introduce a new pensions administration system called Universal Pensions Management ("**UPM**"). Emphasising the importance of the successful delivery of PACE, the LPFA CEO reported that overall implementation was going well in terms of its core functionality, with all three early adopter clients successfully making payments through the system. It was noted that LPFA would be the first major LPPA client to move to UPM. In taking its decision to commence with this roll out on 24 February 2022, the Local Pensions Partnership Administration ("**LPPA**") Change and Technology Committee had considered a range of operational factors before concluding that the system was in a sufficiently robust place to proceed on this date. Those present were informed that the LPFA CEO was a member of this committee.
- 2.4 Further to questions from the LPB, it was clarified that LPPA was working to address several system issues that had been identified following the earlier roll out with the three small clients. The initial decrease in case processing productivity was attributed to a combination of system and user issues. In discussion, the LPB asked whether training provided to date had been sufficient, given the importance of communicating

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forthcoming training sessions to employers as a matter of priority, because of the timing of UPM implementation coinciding with year-end, was noted. It was confirmed that a future training topic would be the new monthly return.

- 2.5 The LPB heard that the Government Actuary's Department ("**GAD**") had published its review of the 2019 valuation of the Local Government Pension Scheme ("**LGPS**") in December 2021, as required under Section 13 of the Public Service Pensions Act 2013, the recommendations of which were set out in the report.
- 2.6 The LPFA CEO sought comments from the LPB on Prudential's additional voluntary contribution ("**AVC**") service provision. This was in response to having received feedback in January that service provision had improved, following previous issues linked to a change in administration platform. In response, the LPB questioned whether service levels had improved enough on the ground, and noted the need for further detail on the compensation scheme available to members who had been negatively affected. Both items were flagged for discussion with LPPA colleagues joining the meeting at item LPB144 below.

The LPB **NOTED** the updates contained in the CEO report related to the LPFA organisation and the LPFA Board.

[The LPPA Commercial Director and LPPA Head of Engagement and Communications joined the meeting]

3. LPB144 - LPPA QUARTERLY CLIENT PERFORMANCE AND MEMBER ENGAGEMENT REPORT

Submission

To present LPFA with the Q3 2021/22 LPPA performance report and advise details on the member engagement communications delivered, as well as planned future activity.

Discussion

- 3.1 The LPPA Commercial Director introduced the report, stating that overall performance for Q3 2021/22 had been strong, with the number of ongoing cases having reduced to under 3000 by the end of the quarter and significant improvements in the number of pension payments made within 30 days. It was noted that customer satisfaction scores in connection with helpdesk calls had been well ahead of the non-contractual target of 85 percent throughout the quarter and data quality scores had remained consistent. Further to a question raised, the LPPA Commercial Director agreed to check why the quarterly conditional data numbers for transfers in were so high. **Action: J Crowhurst**
- 3.2 The LPB sought clarification on the steps being taken regarding the identified issues relating to the Prudential's AVC service provision. The LPPA Commercial Director advised that the matter had been escalated internally, and work was being undertaken to clear the current case backlog. However, it was important to recognise that these challenges were being experienced by all of the Prudential's AVC clients. The LPB was advised that the relatively small size of LPFA's AVC cohort meant that moving to an alternative service provider was not a viable option as it was unlikely that another company would be willing to take on the contract. The LPB raised a specific concern relating to LPFA's oversight of AVC records, which it was agreed would be discussed offline following the meeting. **ACTION: P Ballard and Sean Brosnan**
- 3.3 Turning to Project PACE, the LPPA Commercial Director provided an overview of developments to date, with three small clients having transferred to UPM on 26 January 2022 and LPFA's own implementation imminent. The level of staff training, data reconciliation and performance testing that had been performed prior to, and following, these initial client roll outs was emphasised. It was also noted that the LPPA Change and Technology Committee had been provided with significant detail on project milestones and deliverables before taking 'go-live' decisions. Other key points to note were the fact that LPPA had managed to get to a position of being five working days head on its caseload deadlines in advance of LPFA's 'go live' date and had increased the number of staff trained on UPM from 67 to just over 100. It was also explained that both the employer portal and PensionPoint, the new member portal, were now live, with approximately 3500 members having already registered on the latter.
- 3.4 The LPB heard that initial issues with two-factor authentication and visibility of some documents in UPM had since been resolved, and that all UPM letter templates were now loaded into the system and a

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hypercare plan with Civica was in place. It was also explained that a current issue regarding the visibility of historical data on the employer portal would be resolved in the very near future.

- 3.5 The LPPA Head of Engagement and Communications then provided an overview of member and employer engagement, advising that the Employer Engagement Team was now fully staffed. It was explained that training on the new employer portal would be a key focus for the team over the coming months, with several sessions with employers already having been delivered. This would be complemented by UPM employer portal user guides and recorded training videos, which were available on the LPPA website. On the latter, a point was raised on accessibility of recorded sessions. The LPPA Head of Engagement and Communications undertook to check whether the subtitling provided by the hosting site, YouTube, was adequate and, if not, explore additional options. **ACTION: Chris Dawson**
- 3.6 The LPB focused its discussion on member and employer engagement relating to project PACE, and in particular the introduction of PensionPoint and the employer portal. Whilst it was explained that LPFA members had been emailed to advise of the forthcoming change in December 2021 and would receive further correspondence shortly to encourage them to sign up to PensionPoint, some concerns were raised on whether this was sufficient. In response to a question raised, it was clarified that member drop-in sessions would be included in a later phase of the ongoing employer engagement and training plan.
- 3.7 The LPB commented on the importance of fully utilising employers to promote member registration to PensionPoint and one suggestion was for employers to be provided with template communications that could be sent out to their own members. The LPPA Commercial Director was asked to confirm that PensionPoint communication templates would be made available to employers in the near future. **ACTION: J Crowhurst**
- 3.8 The LPB also raised concerns on whether the plans for employer support following UPM implementation were sufficient. The LPPA Head of Communications and Engagement advised that the direct point of contact for employers would be via the website and an email address, with resources targeted towards direct targeted employer engagement, where needed. It was also explained that FAQ documents and online support material would be updated to respond to any emerging themes and that additional staffing resources were being deployed to the LPPA helpdesk. Nevertheless, the LBP registered disappointment at the lack of a dedicated helpline to support employers in navigating UPM.
- 3.9 When asked why no beta testing had been performed prior to the introduction of the new employer portal, the LPPA representatives provided assurances that full end-to-end testing had been undertaken prior to implementation and reminded those present that the portal was a standard Civica product. The LPPA Deputy Pensions Director was confident that the portal met the required standards on day one, adding that its functionality would continue to be improved and developed over time.
- 3.10 One LPB Employer Representative member observed a potential duplication between the new monthly return and the existing starters and leavers process, and it was agreed that this matter would be discussed offline. **ACTION: J Crowhurst/S Brosnan**
- 3.11 In response to a question from the Chair, it was confirmed that business as usual employer training would continue to be provided throughout the duration of project PACE.
- 3.13 In conclusion, the LPPA representatives were thanked for attending the meeting, and the LPB noted its support to LPPA in implementing project PACE.

[The LPPA Commercial Director and LPPA Head of Engagement and Communications left the meeting]

Once the LPPA representatives had left the meeting, the LPB continued a brief discussion on Project PACE

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The LPB:

1. **Noted** the LPFA Quarterly Client Report and update for Q3 (2021/22) including the KPI performance detailed within the report; and
2. **Noted** the Engagement and Communications activities over the reporting period (this document)

4 LPB145 – RISK MANAGEMENT AND INVESTMENT RELATED UPDATE

Submission

To present the current risk dashboard and full risk register, in line with the requirements of the LPFA Risk Management Principles.

Discussion

- 4.1 The LPFA FRD introduced the report, reminding those present that in accordance with the LPFA Risk Management Principles, the LPB Risk Register and Risk Dashboard were presented to the LPB for annual review. Attention was drawn to the five changes to risk scoring in the Risk Register since the document had last been reported to the LPB. Observing that since November 2021 all remaining current risks had been downgraded from a red rating, the LPB requested clarification on whether this was due to changes in the external environment or the success of mitigating actions. In response, it was advised that the risk related to discharging responsibilities (G2) had been addressed through recruitment. The risk relating to McCloud implementation (T3) had been rescoped to focus on implementation with financial risks transferred to F3 (Higher Liabilities), which had also been downgraded to reflect the fact that McCloud was not expected to pose a severe funding risk to LPFA.
- 4.2 Questions were raised on risks F3 (Higher Liabilities) and F5 (Volatile Funding), particularly the steps that were being taken by LPFA to manage these risks in a high inflation environment. The Chair noted this to be a significant risk for all LGPS funds given the lack of a cap on liabilities. In turn, the LPFA FRD acknowledged the risks posed by sustained high inflation but reminded those present that LPPI monitored this situation closely to analyse the potential effects of various economic scenarios on the Fund. The importance of looking at the funding position over a long-term horizon, and the fact that its benefits were not linked to inflation, were also commented upon. The LPB FRD provided assurances that risks associated with high inflation would be considered when the LPFA Risk Register was next reviewed, and undertook to revert to the Chair offline with further details on the rationale for the risk scores attributed to risks F3 (Higher Liabilities) and F5 (Volatile Funding).

The LPB **noted** the LPFA Risk Register and Risk Dashboard.

5. LPB146 – LPFA CORPORATE COMMUNICATIONS UPDATE

Submission

To present the 2022 Communications Plan, including a review of 2021 communications activity.

Discussion

- 5.1 The LPFA Head of Communications and Engagement provided a presentation setting out the LPFA's 2022 Communications Plan, which had been developed to ensure that LPFA's communications supported its strategic priorities. It was explained that, broadly speaking, LPPA was responsible for day-to-day member and employer communication, whilst LPFA managed strategic communications; this included the corporate website and running both the Fund Member and Employer Forums. The LPB was reminded that as one of its 17 clients, to a greater extent the communications service LPPA provided was standardised rather than bespoke.
- 5.2 The LPB was advised that the development of a new, more user-friendly, corporate website had been one of the key achievements in 2021. Other highlights for the past year had included developing and promoting LPFA social media channels and raising the organisation's profile through conferences, awards submissions and the media. Turning to the year ahead, the Head of Communications and Engagement stated that communicating LPFA's path to net zero and improving responsible investment information on the website were to be two important priorities for 2022.
- 5.3 The LPB noted the LPPA Member 2022/23 Communications Plan, acknowledging that it remained a fluid document until the conclusion of the PACE project.

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- 5.4 The LPFA CEO advised that LPFA was in the process of reviewing whether it should, in its capacity as a fund, play a more active role in terms of member communications. Responding to a question from the Chair, it was further explained that depending on the outcome of senior management deliberations on this matter, a later stage in the process would be to explore whether moving in this direction represented good value for money for members. It was also noted where LPFA could signpost services to its members, it was essential that this be done in such a way as not to be seen to endorse any specific services or organisations.
- 5.5 The LPFA Head of Communications and Engagement advised that the 2022 Employer Forum was being planned to be in-person with an additional option for members to attend virtually if they wished to do so.
- 5.6 The LPB was advised that as LPPA's plan to migrate members to the PensionPoint portal was standardised across all of its clients, unfortunately LPFA had very limited scope to influence project targets. Both LPFA Officers and LPB members expressed concern that the LPPA had been insufficiently ambitious, particularly in setting a 'floor' target of only 10 percent of its membership to have registered on the portal within the first six months. In discussion, the LPB noted the importance of fully embracing the opportunities presented by PensionPoint to significantly increase member engagement from its current levels. Overall, the LPB thought that LPPA could do more to promote the portal through employers and raised several points regarding project methodology and planning.
- 5.7 Overall, the LPB formally noted its support for LPFA to urge LPPA to increase its targets for member migration to PensionPoint to a significantly higher level than the current 'floor' targets.

The LPB **Noted** the 2022 Communications Plan, including the review of 2021 communications activity.

6. LPB147– COMPLIANCE OVERSIGHT AND REGULATION REPORT

Submission

To provide LPB with an update on regulatory and compliance matters related to the Fund.

Discussion

- 6.1 The LPFA CLCO introduced the report, confirming that there were no exceptions to report regarding the LPP SLA for Q3 2021. It was advised that Company Secretarial Services had been brought in-house from 1 January 2022, meaning that the only remaining corporate services provided by LPPI were Human Resources ("HR") and Information Technology ("IT"). HR services would be brought back in-house, with third party support as required, on 1 April 2022, but IT services were unlikely to be transferred until 2023 at the earliest.
- 6.2 It was noted that LPFA had agreed to ease its SLA target of 95 percent with LPPA for the first three months after the implementation of UPM. There would be a decreased target of 90 percent for high priority activities – death benefits and retirements for both active and deferred members; and a 70 percent target for all other activities. Although, ill-health benefit estimates would be prioritised alongside retirements regardless of the temporary SLA decrease in targets. The LPB also heard that LPFA had agreed to standardise its SLAs with LPPA along with LPPA's other clients. This would increase the SLA deadline for a small number of areas, namely, individual estimates, deferred benefits and correspondence. However, there would be a decrease in deadlines for transfers out and refunds. The LPB was informed that for those activities where the SLA target was increased, in real terms, it was projected that cases would be dealt with quicker due to a change in workflow processes and responding promptly to information once received by LPPA. In response to concerns raised, the LPFA CLCO provided assurances that LPFA would continue to engage with LPPA and monitor its performance throughout the PACE implementation period to ensure that acceptable service standards were maintained. Those present were also reminded that LPPA currently performed strongly against agreed targets. The LPFA CEO added that an LPFA internal project team had been established to prepare for PACE implementation and, following UPM implementation, daily and weekly reports were expected to be received from and discussed with LPPA.
- 6.3 The LPB was advised that although several breaches had been reported for Q3 2022/23, the numbers were not high in relation to the size of the Fund. With reference to a 3 in 13 calculation spreadsheet error identified during the quarter, the LPB sought assurances on LPPA's data controls, and was advised that these were considered to be robust. The LPFA CLCO confirmed that the error had been promptly rectified upon identification, with steps taken to ensure no reoccurrence. For the avoidance of doubt, the LPFA

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CLCO agreed to contact LPPA to check whether, in addition to the 3 in 13 spreadsheet error, there were any other spreadsheets where any issues/incidents had occurred and, if so, what steps had since been taken to improve controls to ensure that such issues cannot reoccur. **ACTION: H Astle**

- 6.4 In response to a point raised, the LPFA CLCO confirmed that as part of its SLA with LPFA, LPPA was expected to meet the requirements of the UK General Data Protection Regulations (“**GDPR**”) and was currently in the process of pursuing third party accreditation regarding its internal controls. It was also noted that both organisations were classified as joint data controllers under this legislation.

[The LPFA FRD, LPFA Chief of Staff and LPFA Head of Communications left the meeting]

- 6.5 The LPB heard that one significant overpayment totalling £84,000 (gross) had been identified during the quarter, which had resulted from procedures not being correctly followed. The LPFA CLCO advised that on identification of this matter, additional due diligence checks had uncovered a further two smaller overpayments. It was noted that the matter was addressed through staff training, and that LPFA would also seek to recoup the monies owed.
- 6.6 It was reported that although the Fund actuary had reviewed “strain costs” in 2018, an error within LPPA had resulted in the updated strain costs not subsequently having been applied. The LPFA FRD’s estimate was that total strain costs invoiced over the following period would have been £170,000 had the 2018 factors been applied. The LPB was advised that LPFA had agreed that the 2018 factors would only be used for future calculations from UPM’s go-live date, but not to amend the past calculations.
- 6.7 The LPB noted the LPFA Policy Framework and the fact that subject to LPFA Board approval in March 2022, the LPFA CEO and CLCO would be granted delegated authority to update the framework as and when required, albeit with any major changes would be brought to the LPB’s attention.
- 6.8 The LPB noted the LPP Bi-annual Assurance Statement on Cyber Security. It was explained that LPPI had completed its disaster recovery test on 22 December 2021 and LPPA had completed its own test on 20 October 2021; both tests had been successfully passed.

The LPB:

1. **Noted** the compliance updates;
2. **Noted** the update on IDRP cases;
3. **Noted** the assurance on data protection and regulatory compliance;
4. **Noted** the LPP Bi-annual Assurance Statement on Cyber Security; and
5. **Noted** the LPFA Policy Framework.

7. LPB148 – GOVERNANCE, PUBLIC POLICY STATEMENT AND LPB FORWARD PLANNER

Submission

To present the LPFA C&S Board session minutes from 19 October 2021 (final) and 16 December 2021 (draft), and forward planner.

Discussion

- 7.1 With reference to a point raised on LPB member appointments at the December LPFA Board meeting, the LPFA CEO clarified that whilst the Board had previously delegated LPB appointment decisions to the LPFA CEO, it had unfortunately not been possible to locate the minutes of the meeting where this decision had been taken. Thus, for the avoidance of doubt, the LPFA Board had retrospectively noted the appointment of all LPB members recruited in 2021. Although one LPFA Board member had expressed the view that LPB member appointments could be a matter reserved to the Board, the broader consensus had been that the Board should continue to delegate the appointment and resulting terms and conditions of LPB members to the LPFA CEO, with the removal of LPB members to remain a matter reserved to the LPFA Board¹.

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8. ANY OTHER BUSINESS

- 8.1 The LPFA Governance Manager was requested to arrange for all LPB members to have passes to access the Union Street Building. **ACTION: S O'Shea**
- 8.2 The date of the next meeting was scheduled on 21 June 2022 at the LPFA Union Street Office.
- 8.3 There being no further business, the Chair closed the meeting at 12.35.



24th June 2022

William Bourne, LPB Chair

Date: