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County Offices
Newland
Lincoln
LN1 1YL

29 December 2015

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 7 January 2016** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

Tony McArdle
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 3 Co-Opted Members)

Councillors M G Allan (Chairman), R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, R A H McAuley, Mrs S Rawlins and A H Turner MBE JP

Co-Opted Members

Mr A N Antcliff, Employee Representative
Mr J Grant, Non-District Council Employers Representative
District Councillor J Summers, District Councils Representative

PENSIONS COMMITTEE AGENDA
THURSDAY, 7 JANUARY 2016

Democratic Services Officer Contact Details

Name:	**Catherine Wilman**
Direct Dial	**01522 553788**
E Mail Address	catherine.wilman@lincolnshire.gov.uk

Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords

Lincolnshire
COUNTY COUNCIL
Working for a better future

PENSIONS COMMITTEE
10 DECEMBER 2015

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, Mrs S Rawlins and A H Turner MBE JP;

Co-Opted Members: Mr A N Antcliff (Employee Representative);

Officers in attendance:- David Forbes (County Finance Officer), Jo Ray (Pension Fund Manager), Nick Rouse (Investment Manager), Catherine Wilman (Democratic Services Officer);

Also in attendance:- Peter Jones (Independent Advisor), Paul Potter (Investment Consultant);

30 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R A H McAuley, District Councillor J Summers and Mr J Grant.

31 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as a North Kesteven District Councillor and as a County Councillor.

Mr A Antcliff requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

Councillor R J Phillips declared a personal interest in all items on the agenda as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

32 MINUTES OF THE PREVIOUS MEETING OF THE PENSIONS COMMITTEE HELD ON 8 OCTOBER 2015

RESOLVED

That the minutes of the meeting held on 8 October 2015 be approved as a correct record and signed by the Chairman.

33 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED:

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

34 MANAGER PRESENTATION - SCHRODER INVESTMENT MANAGEMENT - GLOBAL EQUITIES

Consideration was given to a report which introduced a presentation from Schroder Investment Management, who managed an active portfolio of Global Equities for the Fund. The presentation provided details of the performance of the portfolio.

RESOLVED

That the report and presentation be noted.

35 MANAGER PRESENTATION - COLUMBIA THREADNEEDLE - GLOBAL EQUITIES

Consideration was given to a report which introduced a presentation from Columbia Threadneedle, who managed an active portfolio of Global Equities for the Fund.

The presentation provided a summary of the portfolio's performance.

RESOLVED

That the report and presentation be noted.

36 MANAGER PRESENTATION - NEPTUNE INVESTMENT MANAGEMENT - GLOBAL EQUITIES

The Committee considered a report which introduced a presentation from Neptune Investment Management who managed an active portfolio of Global Equities for the Fund. The presentation provided a summary of the portfolio's performance.

Following a discussion, the Committee requested that a visit to the office of Neptune Investment Management be arranged in the New Year.

RESOLVED

That the report and presentation be noted.

The meeting closed at 1.00 pm

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**Independent Advisor's Report**

Summary:

This report provides a market commentary by the Committee's Independent Advisor on the current state of global investment markets.

Recommendation(s):

That the Committee note the report.

Background

INVESTMENT COMMENTARY

January 2016

Another lacklustre year for markets in 2015.

For the second year running, global markets have shown little price change over the twelve months. Obviously there have been fluctuations, notably in equities in August and in December. And there are exceptions to this generality – emerging markets have had a poor year and commercial property worldwide has performed well. Commodity prices, notably oil, have fallen sharply, dragging down the share prices of oil and mining companies. The high yield bonds of such companies have been poor performers over credit worthiness worries.

Short term interest rates

The US Federal Reserve ("the Fed") finally announced an interest rate rise of 0.25% in mid December. Economically, this was probably not very significant though it carried important psychological implications, which will probably not become fully apparent until well into the first quarter of 2016. Key is how far and fast are future such increases. Accompanying the announcement of the December rate increase, Janet Yellen, the chair of the Fed, emphasised that future increases will be gradual and "economic data dependent" to use the market jargon. She also said that the Fed did not intend to start reducing its huge investment in US government bonds that it bought as part of its Quantitative Easing programme following the Lehman Brothers crisis, until the rise in interest rates was “well under way”. So probably not in 2016.

A rise in short term interest rates is sometimes thought to be detrimental to the price of equities. The evidence of the past is that central banks only increase rates when they are confident that their economy is growing strongly, that inflation is on a rising trend and that the labour market is tightening. Mrs Yellen emphasised that the Fed’s view is that the US economy is performing well, and is expected to continue to do so. Unemployment has fallen to around 5% and the consumer seems increasingly confident. Inflation is expected to rise, gradually, towards the Fed’s target of 2% per annum. So I doubt that this rate rise – on its own - is a negative for the US equity market. Markets expect further interest rate rises by the Fed in 2016, perhaps two or three, taking it to around 1%.

What implications does this have for the Bank of England and the other global central banks? Probably not a lot. The Bank of England has backed away from a rise in UK base rate in 2015, deeming the UK economy not quite strong enough. The growth in GDP is healthy enough – perhaps 2.5% in 2015 - but inflation (as measured by the Consumer Price Index) has been negative in recent months. Wage growth was surprisingly robust in mid summer, but has tailed away in recent months despite historically low levels of unemployment, by recent standards. As to the other central banks, especially the European Central Bank and the Bank of Japan, they are nowhere near to rate increases, either now or possibly in 2016.

In short, despite the Fed increase, globally monetary policy remains very loose and will support securities markets in 2016, in general. There are some adverse straws in the wind regarding such liquidity: the slowdown in Chinese exports in 2015 has resulted in China withdrawing some of its overseas money market investments, for example short term dollar, sterling and euro deposits. And the wealth funds of middle eastern oil producers such as Saudi Arabia, are experiencing similar patterns.

Downside risks in 2016

It is an old stock market adage that equity markets “climb a wall of worry” and only succumb when there are no worries remaining! There are plenty of worries to satisfy the most anxious – which in its way confirms that equities can indeed rise in the year ahead. Political risks that will remain throughout 2016 include the US Presidential election, middle eastern turmoil including the war against ISIS, and in the UK the likelihood of a referendum on withdrawal from the EU (“Brexit”). Inflation, almost everywhere, remains fickle and is likely to remain so: equities thrive on modest levels of inflation that permit companies “pricing power” for their products and services. The health, or otherwise, of the Chinese economy will not be far from investors’ minds. And we should not forget the other emerging market countries, e.g. Brazil, Russia and South Africa, whose economies have had a torrid 2015.

An anxiety for the longer term, that is increasingly bothering economists and long term investors, is doubt surrounding the ability of central banks (principally the Fed) to raise interest rates substantially and to withdraw all of its Quantitative Easing support. In particular, surely the Fed cannot raise rates too quickly in 2016 and 2017 and risk aborting an economic recovery that remains somewhat fragile? The argument is that when the next recession occurs, say in the USA (as it was the first major global economy to recover), the central bank needs to be able to step in with measures to mitigate the downturn. What weapons will be at its disposal if interest rates are still low (under 3% say) and Quantitative Easing not largely unwound? It is not easy to see an outcome to this conundrum unless the US economy continues to expand at a healthy rate for an extended number of years.

Summary

Global equities and government bonds, in general, remain quite close to all time price highs. There have been price set backs in the past several years in both markets, but they have been in the nature of "jitters" and have not lasted long. Markets do not rise forever, as everyone is aware. Statistically and relying on historic norms, these markets are highly valued. Never before, however, has global liquidity been so high or so long lived; or indeed so globally co-ordinated by central bankers. It is this liquidity that has supported markets and, in my view, will continue to support them. Inevitably, there will be market wide falls – but once the fall has amounted to say 5% or more, I suspect the buyers will step in. Especially for global equities, which seem to me to offer more upside potential than bonds at their current very low yields. Could it be that markets in general will show little material change by the end of 2016, whatever transpires in between?

Peter Jones
21st December 2015

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Peter Jones, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pension Committee**
Date:	**07 January 2016**
Subject:	**Pension Administration Report**

Summary:

This is the quartely report by the pension administrator WYPF.

Yunus Gajra, the Business Development Manager from WYPF, will update the committee on current administration issues.

Recommendation(s):

That the committee note the report.

Background

1.0 Performance and Benchmarking

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 The table below shows the performance against key areas of work for the period 1 July 2015 to 30 November 2015 as measured against both the local indicators and the national CIPFA benchmarks.

WORKTYPE	TOTAL_CASES	TARGET_DAYS	TARGET_MET_CASES	MINIUM_TARGET	TARGET_MET
				PERCENT	PERCENT
New starter set up	50	5	28	85	56.00
Transfer In Quote	135	10	109	85	80.74
Transfer In Payment	9	10	8	85	88.89

Received					
Deferred Benefits Set Up on Leaving	2317	10	1124	85	67.51
Refund Quote	983	10	890	85	90.54
Refund Payment	412	5	380	85	92.23
Transfer Out Quote	245	10	152	85	62.04
Transfer Out Payment	18	10	12	85	66.67
Pension Estimate	2120	10	580	85	27.36
Pension Set Up – Payment of Lump Sum	811	3	753	85	92.85
Deferred Benefits Into Payment – Payment of Lump Sum	607	3	566	85	93.25
Death in Service – Payment of Death Grant	6	5	6	85	100
Death of a Pensioner – Payment of Death Grant	34	5	29	85	85.29
Payment of Beneficiary Pension	234	5	225	85	96.15
Potential Spouse Pension Enquiry	17	20	16	85	94.12
Initial letter acknowledging death of active/deferred/pensioner member	611	5	576	85	94.27

1.3 It was reported at the last Pensions Committee that performance was affected for a number of reasons, namely:

a) Missing or partial data
b) Lack of images
a. Extensive staff training required for LPF staff to learn the Civica pensions administration system.
c) Converting Mouchel's processes to WYPF processes.
d) Resources focused on ensuring pensioners got paid.

The effects of this will continue to be felt for the rest of the year.

1.5 Some cases have again exceeded the target days as expected and warned in the previous report to the committee, primarily as a result of the continued ripple effect of the new scheme regulations. This has been particularly true of the Transfer In and Deferred procedures.

1.6 The current membership of the Lincolnshire Pension Fund is set out in the following table. Employer numbers continue to remain relatively static.

Membership numbers as @ 23/12/2015 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	23,654	27,942	1,043	18,311	1,667
Councillors	20	26	-	35	-
Totals nos	**23,674**	**27,968**	**1,043**	**18,346**	**1,657**

2.0 Age Profile of the Scheme

STATUS	U20	B20_25	B26_30	B31_35	B41_45	B46_50	B51_55	B56_60	B61_65	B66_70	O70	
Active	362	1442	1536	1912	3547	4042	3577	2632	1167	199	54	20470
Beneficiary Pensioner	82	35	1	1	13	33	65	139	191	214	1499	2273
Deferred	10	642	1701	2035	3973	5524	5846	4200	912	33	17	24893
Deferred Ex Spouse	0	0	0	0	0	11	11	12	0	0	0	34
Pensioner	0	1	1	1	29	48	106	1063	4035	3897	6326	15507
Pensioner Ex Spouse	0	0	0	0	0	0	0	2	6	2	3	13
Preserved Refund	9	49	69	88	213	278	290	204	138	78	58	1474
	463	2169	3308	4037	7775	9936	9895	8252	6449	4423	7957	64664

3.0 Praise and Complaints

2.1 As part of the continued monitoring of the sections overall performance, WYPF sent out customer surveys to a sample of LPF members.

Over the quarter July to September we received **3** online customer responses.

Over the quarter July to September **73** Lincolnshire member's sample survey letters were sent out and 27 **(36.98%)** returned:

Overall Customer Satisfaction Score: **83.94%** (up from 78.34% in the last quarter).

Appendix A shows full responses.

3.0 Administration Update

3.1 By 30 November 2015, the date specified by the Pensions Regulator, WYPF had sent out 99% of pension statements for West Yorkshire Pension Fund members and 96% for Lincolnshire Pension Fund members. The balance of outstanding cases require additional information before the annual benefit statements can be sent out. Our thanks to Serco staff in Payroll for pulling out the stops to enable this.

3.2 Monthly contributions are being received from LPF Employers except for one notable absence – LCC). This is causing some concern and is creating a backlog of work.

3.3 WYPF have been recruiting to a staff vacancy created in the Lincoln office. The post was advertised both in Bradford and Lincoln. We are pleased to announce that after a recruitment exercise the vacancy has been filled by a WYPF staff member who was looking to relocate to Lincoln. She has lots of pensions experience and will be a good asset to the Lincoln team.

4.0 Current Issues

Consultation on Public Sector exit payment recovery regulations

4.1 The Government recently announced a consultation designed to limit the amount that the public sector pays out in the form of exit payments. Described as "Government calls time on public sector parachute payments for boomerang bosses", the draft regulations allow for the recovery of redundancy and other exit payments from higher earners who return to the public sector within 12 months of leaving.

4.2 Recovery of exit payment will apply to all public service employees earning **£80,000** or more, who receive an exit payment and then return to employment in any part of the public sector within 12 months of leaving their previous employment.

4.3 Exit payments will include payments made as a consequence of leaving employment and **will include the pension strain generated from the early unreduced payment of LGPS benefits.**

4.4 The exit payment recovery can be waived by a Secretary of State or, in the case of local authorities, by full council. The use of any such waivers must be recorded and published in that body's annual report and accounts.

4.5 Responses to the draft regulations must be received by 25 January 2016. The intention is that these regulations will apply from **April 2016.**

Separately, the government is taking forward changes that mean that no public sector exit payment can be more than £95,000 and will also publish further guidance on public sector pay rules in the new year.

Tell Us Once

4.6 The extension of Tell Us Once to public service pension schemes including the LGPS has been delayed to January 2015.

4.7 WYPF have registered to become a partner for both Funds. The potential benefits to be gained from becoming a TUO partner and how access to secure, trusted data on the day a death is formally registered – will provide both significant business efficiencies and a step change in the customer services experience.

LGPS Database

4.8 WYPF has also registered for the LGPS Database which is now live. This enables Pension Funds to upload their membership files to enable checks against the database for such things as membership in other Pension Funds enabling easier access to information and avoid making overpayments for death grants etc.

5.0 Finance

In July 2014 our shared service cost was estimated at £15.55 per member, per year for 2015/16. In January 2015, this figure was revised to £15.88 to take account of additional work that emerged during implementation and further work from new legislations. The latest forecast for share service unit cost per member for 2015/16 is £14.75, a reduction of £1.13 on the revised estimate. This takes account of all the additional work carried out for 2014/15 yearend returns, data cleansing work and extra system work that were not specified in shared service requirements. However, we are still waiting for monthly returns for LCC 2015/16, there is a backlog of 8 months of work for LCC. This is a major compliance issue for LCC and it is impacting on WYPF/LPF performance in terms of pension regulations.

LPF	Members	Charge	Vs April 2014	Vs Orig 15/16
Members number	**66,695 LPF Apr 15**	**69,958 LPF Dec 15**		
Estimated price April 2014	£15.55	£1,037,107		
Original Estimate January 2015	£15.88	£1,059,117	a) £22,010	
Period 6 Forecast September 2015	£15.78	£1,052,447	b) £15,340	c) -£6,67
Period 9 Forecast September 2015	£14.75	£1,031,884	d) -£5,223	e) -£20,56

a.) £1,059k less £1,037k = £22k
b.) £1,052k less £1,037k = £15k
c.) £1,052k less £1,059k = -£6k
d.) £1,032k less £1,037k = -£5k
e.) £1,032k less £1,052k = -20k

5.1 The table above demonstrates that LPF are already benefiting from a cost savings of 90 pence per member from the original estimate in April. This may increase slightly if LCC's monthly returns require disproportional resources.

6.0 Pension Boards

6.1 WYPF attended the LPF Pension Board recently to give members an understanding of the shared service partnership. Areas covered were, how the partnership works, the complexities, governance etc.

7.0 News

6.1 WYPF have been shortlisted for a number of awards by the Pension Age Awards, which aim to reward both the PENSION SCHEMES and the PENSION PROVIDERS across the UK that have proved themselves worthy of recognition.

6.2 The shortlisted categories are:

- DB Pension Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration Award
- Pension Scheme Innovation Award

Winners will be announced at a gala dinner on 25 February.

Conclusion

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Survey Results - July to September 2015

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or yunus.gajra@wypf.org.uk.

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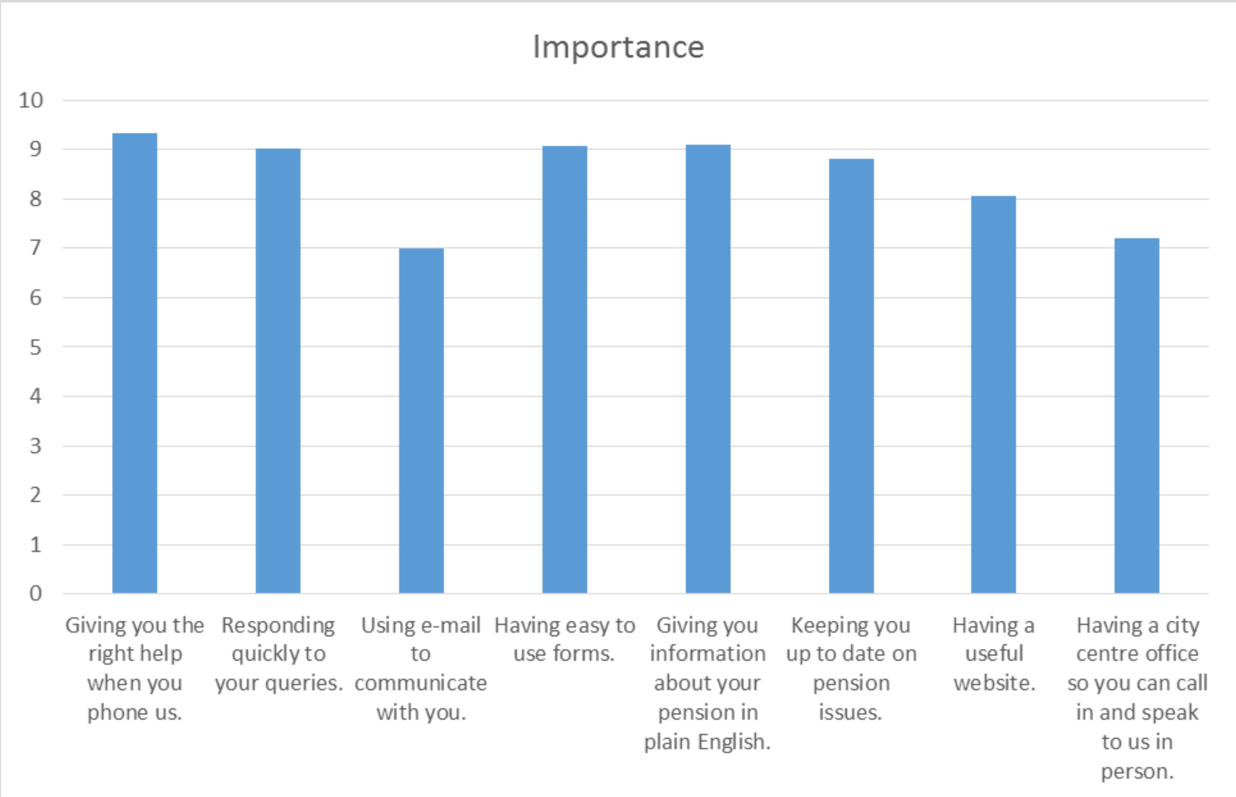
Customer Survey Results - Lincolnshire Members
(1st July to 30th September 2015)

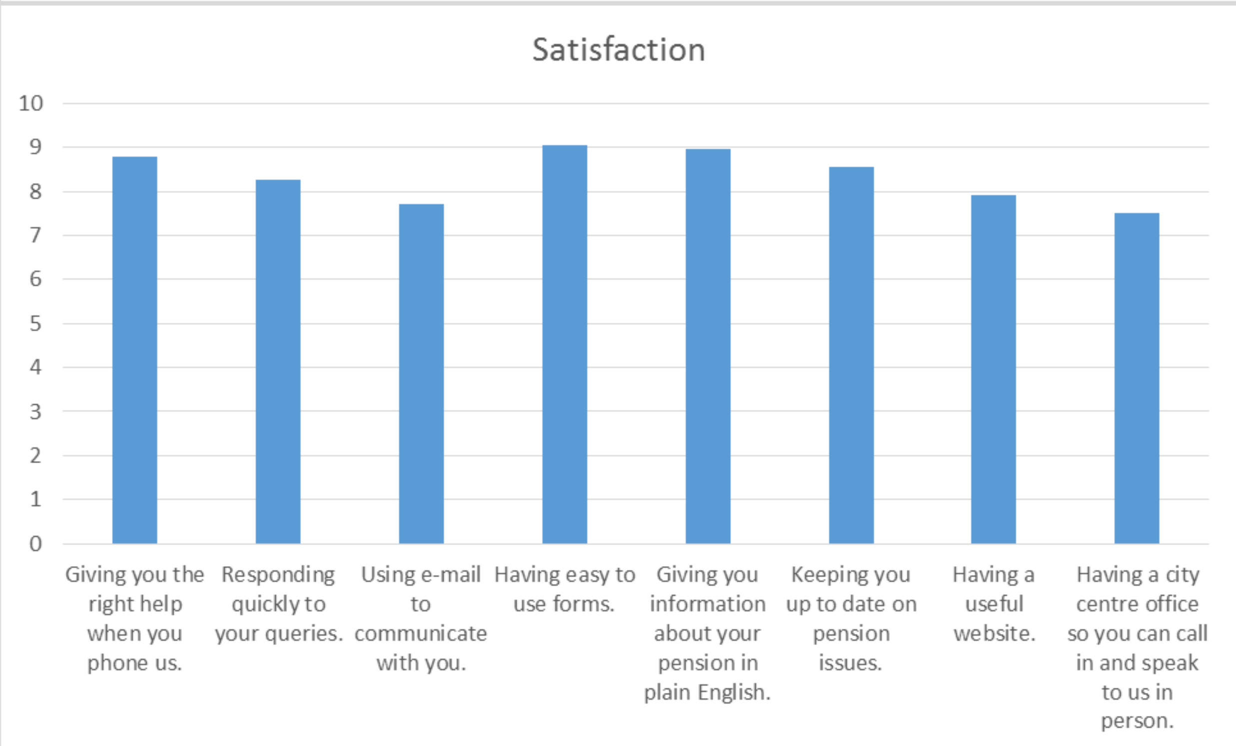
Over the quarter July to September we received **3** online customer responses.

Over the quarter July to September **73** Lincolnshire member's sample survey letters were sent out and **27 (36.98%)** returned:

Overall Customer Satisfaction Score: **83.94%**

The charts below give a picture of the customers overall views about our services;





Sample of positive comments:

Member Number	Comments
990YM103441A	Very helpful, knowledgeable and polite operative. Extremely pleased with the response.
967WA3498841	Understanding, willing to explain and efficient staff who kept me informed of progress. Very useful to be able to speak to the same person each time regarding my pension. Very helpful staff despite handover from Mouchel.
8026179	Very good so far, helpful, knowledgeable staff and efficient administration of my pension. Having a named contact is very important and helpful with a direct dial and email.
901WE0355524 (online)	Very impressive feel in good hands. LCC caused great delays in sending necessary information to yourselves. Despite this you completed everything on time. In particular I wish to thank Nicola Kenzie for all her support and hard work.
901YR7161971 (Online)	Efficient, helpful and well informed staff. Staff took their time to explain how things worked as my employer was unable to give me any information on my pension. I feel that If I need further assistance with any information I feel confident in approaching your staff over the phone for help and advice. They are credit to your organisation.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
990YZ4817361	Helpful friendly staff. Solved issues which employer had created. Minor issues re forgetting envelopes for birth certificate. Few days delay in payment of lump sum. Incorrect tax code applied.	Passed to Dipika. Points noted.
8021226	Very disappointing. No one wanted to take responsibility for sorting out problem, being phoned from one person to other.	An explanation letter was sent as appropriate by Naheed.

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Committee on Fund matters over the quarter ending 30th September 2015 and any current issues.

Recommendation(s):

That the Committee note this report.

Background

1 Fund Summary

1.1 Over the period covered by this report, the value of the Fund fell in value by £56.7m (3.3%) to £1,657.2m on 30th September 2015. Fund performance and individual manager returns are covered in the separate Investment Management report, item 7 on the agenda.

1.2 Appendix A shows the Fund's distribution as at 30th September. All asset classes are within the agreed tolerances. The Fund's overall position relative to its benchmark can be described as follows:

Underweight Equities by 0.1%

UK Equities underweight by 0.3%

Global Equities at weight

Underweight Alternatives by 0.1%

Overweight Property by 0.1%

Neutral Bonds

Overweight Cash by 0.1%

Movements in weight are due to the relative performance of the different asset classes.

1.3 The purchases and sales made by the Fund's portfolio managers over the period (including those transactions resulting from corporate activity such as take-overs) are summarised in Appendix B.

1.4 Appendix C shows the market returns over the three and twelve months to 30th September 2015.

1.5 The table below shows the Fund's ten largest single company investments (equity only and includes pooled investments) at 30th September, accounting for 9.0% of the Fund, compared to 9.1% last quarter. Equity holdings in the Fund are now shown on the Pensions website, and updated on a quarterly basis.

	Company	**Total Value £M**	**% of Fund**
1	BRITISH AMERICAN TOBACCO	19.6	1.2
2	ROYAL DUTCH SHELL	18.9	1.1
3	HSBC	17.9	1.1
4	APPLE	16.6	1.0
5	RECKITT BENCKISER	14.9	0.9
6	UNILEVER	13.3	0.8
8	NESTLE	12.5	0.8
7	MICROSOFT	11.9	0.7
9	VODAFONE	11.4	0.7
10	IMPERIAL TOBACCO	11.2	0.7
	TOTAL	**148.2**	**9.0**

1.6 Appendix D presents summarised information in respect of votes cast by the Manifest Voting Agency, in relation to the Fund's equity holdings. Over the three months covered by this report, the Fund voted at 96 company events and cast votes in respect of 1,463 resolutions. Of these resolutions, the Fund voted 'For' 1138, 'Against' 307 and abstained on 11and withheld votes on 7.

1.7 A breakdown of the issues covered by these resolutions together with an analysis of how the votes were cast between 'For', 'Abstain' or 'Against' a resolution is given in Appendix D. Votes were cast in accordance with the voting template last reviewed at the 9th January 2014 meeting of this Committee, and effective from 1st March 2014.

2 Local Authority Pension Fund Forum

2.1 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.

- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.

- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.

- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.

- **Consultations** – to respond to any relevant consultations.

2.2 The latest LAPFF newsletter can be found on their website at www.lapfforum.org. Engagement highlights during the quarter included:

- Held meetings with **Barclays, RBS** and **HSBC** to discuss the implications of Mr Bompas QC's second legal opinion on the interpretation of 'true and fair value' in accounts. This opinion received widespread media attention, including from the Financial Times.

- Attended the **National Grid** Annual General Meeting (AGM) to ask how the Company's climate strategy affects its overall strategy and whether it will disclose its Scope 3 emissions. The Company has confirmed that it is likely to do so next year.

- Posed questions at the AGMs of **BT, Vodafone** and **SSE** on topics including: remuneration; gender diversity; carbon emission reductions; and board and auditor independence.

- Participated in an **Equality and Human Rights Commission Inquiry** roundtable on the recruitment and appointment of board directors, including the appointment of women.

- Co-signed a letter to support the **Business Supply Chain Transparency on Trafficking and Slavery Act of 2015** being proposed at a federal level in the United States.

- Submitted a **consultation response to the Hong Kong Stock Exchange**, and advocated for mandatory reporting on carbon emissions.

2.3 Councillor Jackson and the Pension Fund Manager attended the LAPFF Annual Conference in Bournemouth in early December. This was the 20th Annual Conference for LAPFF and it also celebrated its 25th birthday as an organisation. Topics covered included:

- A look back at the last 25 years;
- Investor engagement;
- Carbon asset management;
- IFRS9 (an accounting standard); and
- LGPS developments.

2.4 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

3 Treasury Management

3.1 At the April 2010 meeting, the Pensions Committee agreed a Service Level Agreement with the Treasury team within Lincolnshire County Council, for the continued provision of cash management services to the Pension Fund.

3.2 The Treasury Manager has produced the quarterly report detailing the performance of the cash balances managed by the Treasury. This shows an average cash balance of £6.7m. The invested cash has outperformed the benchmark from 1st April 2015 by 0.27%, annualised, as shown in the table below, and earned interest of £23.7k.

3.3 A weighted benchmark (combining both 7 day and 3 month LIBID) has been adopted by the Council, which is more reflective of the investment portfolio maturity profile.

Pension Fund Balance – Year to end September 2015				
Pension Fund Average Balance £'000	**Interest Earned £'000**	**Cumulative Average Yield Annualised %**	**Cumulative Weighted Benchmark Annualised %**	**Performance %**
6,725.8	23.7	0.70	0.43	0.27

4 Pension Board

4.1 The Pension Board held a meeting on 2nd December to focus on the Pensions Administration service provided by WYPF. Representatives from WYPF presented to the Board and covered a range of topics about their service.

5 Risk Register Update

5.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved. Over the quarter there have been no changes made.

5.2 The full risk register is available from officers should any member of the Committee wish to see it.

Conclusion

6.1 This reporting period saw the value of the Fund fall, decreasing by £56.7m to £1,657.2m. At the end of the period the asset allocation, compared to the strategic allocation, was;

- overweight property and cash; and
- underweight equities and alternatives .

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Distribution of Investments
Appendix B	Purchases and Sales of Investments
Appendix C	Changes in Market Indices
Appendix D	Equity Voting Activity

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

DISTRIBUTION OF INVESTMENTS

INVESTMENT	30 Sept 2015			30 June 2015			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
UK Index Tracker	325,659,115	32.9	19.7	342,172,813	33.0	20.0	20.0	+/- 1.5%
TOTAL UK EQUITIES	**325,659,115**	**32.9**	**19.7**	**342,172,813**		**20.0**	**20.0**	
GLOBAL EQUITIES								
Invesco	329,822,684	33.4	19.9	344,469,542	33.3	20.1	20.0	+/- 1.5%
Threadneedle	84,380,768	8.5	5.1	88,102,935	8.5	5.1	5.0	+/- 1%
Schroder	81,496,556	8.2	4.9	85,441,059	8.3	5.0	5.0	+/- 1%
Neptune	81,983,621	8.3	4.9	89,662,366	8.7	5.2	5.0	+/- 1%
Morgan Stanley	85,073,555	8.6	5.1	85,570,518	8.3	5.0	5.0	+/- 1%
TOTAL GLOBAL EQUITIES	**662,757,183**		**40.0**	**693,246,420**		**40.4**	**40.0**	
TOTAL EQUITIES	**988,416,299**	**100**	**59.6**	**1,035,419,233**	**100**	**60.4**	**60.0**	**+/- 5%**
ALTERNATIVES	**246,606,420**		**14.9**	**253,564,057**		**14.8**	**15.0**	**+/- 1.5%**
PROPERTY	**197,060,925**		**11.9**	**197,346,351**		**11.5**	**11.5**	**+/- 1%**
FIXED INTEREST								
Goodhart F & C	109,625,436	49.1	6.6	111,368,676	50.1	6.5	6.75	+/- 1%
Blackrock	113,731,398	50.9	6.9	111,067,712	49.9	6.5	6.75	+/- 1%
TOTAL FIXED INTEREST	**223,356,834**	**100**	**13.5**	**222,436,389**	**100**	**13.0**	**13.5**	**+/- 1.5%**
TOTAL UNALLOCATED CASH	**1,797,037**		**0.1**	**5,219,985**		**0.3**	**0.0**	**+ 0.5%**
TOTAL FUND	**1,657,237,514**		**100**	**1,713,986,015**		**100**	**100**	

APPENDIX B

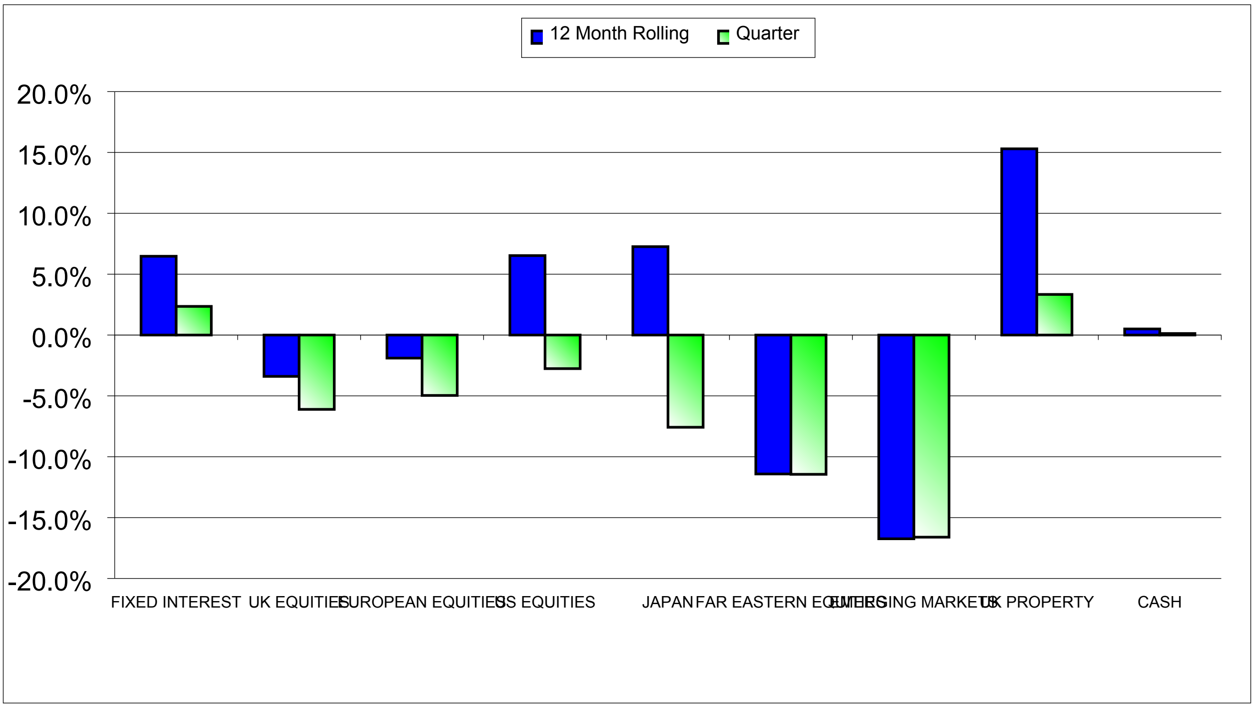
PURCHASES AND SALES OF INVESTMENTS – QTR ENDED 30TH SEPTEMBER 2015

Investment	Purchases £000's	Sales £000's	Net Investment £000's
UK Equities			
In House	11,791	670	11,121
Global Equities			
Invesco	40,239	38,971	1,268
Threadneedle	8,442	8,513	(71)
Schroders	7,304	6,787	517
Neptune	9,413	8,802	611
Morgan Stanley Global Brands	0	0	0
Total Equities	**77,189**	**63,743**	**13,446**
Alternatives			
Morgan Stanley	0	0	0
Total Alternatives	**0**	**0**	**0**
Property	**67**	**1,812**	**(1,745)**
Fixed Interest			
BlackRock	0	0	0
Goodhart F & C	0	0	0
Total FI	**0**	**0**	**0**
TOTAL FUND	**77,256**	**65,555**	**11,701**

NB: Blackrock, Goodhart and both Morgan Stanley investments are Pooled Funds and therefore Purchases and Sales are only shown when new money is given to the manager or withdrawn from the manager.

APPENDIX C

MARKET RETURNS TO 30TH SEPTEMBER 2015



INDEX RETURNS	12 Months to Sept '15	Jul-Sept '15
	%	%
FIXED INTEREST	6.5	2.4
UK EQUITIES	(3.4)	(6.1)
EUROPEAN EQUITIES	(1.9)	(5.0)
US EQUITIES	6.5	(2.8)
JAPANESE EQUITIES	7.3	(7.6)
FAR EASTERN EQUITIES	(11.4)	(11.4)
EMERGING MARKETS	(16.7)	(16.6)
UK PROPERTY	15.3	3.3
CASH	0.5	0.1

Votes Summarised by Votes Cast

Votes Cast at Management Group Level

Report Period: 01 Jul 2015 to 30 Sep 2015

Voting Guideline Code	For	Abstain	Against	Total
Lincolnshire County Council				
(Other) Restructuring	0	0	1	1
Adjourn Meeting	2	0	0	2
All Employee Share Schemes	2	0	11	13
Annual Incentive Plan Metrics	4	0	0	4
Any Other Business	0	0	3	3
Approve Agreement	1	0	0	1
Approve CSR Report	1	0	0	1
Auditor - Appointment	64	0	25	89
Auditor - Remuneration	45	0	26	71
Auth Board to Issue Shares	60	0	6	66
Auth Board to Issue Shares w/o Pre-emption	39	1	32	72
Authorise Political Donations & Expenditure	34	0	3	37
Authorised Capital	0	0	1	1
Board Size Range	1	0	0	1
Capital Raising	0	0	1	1
Change Board Structure	1	0	0	1
Change of Name	1	0	0	1
Debt - Borrowing Powers	1	0	0	1
Delegate Powers	2	0	0	2
Director - Acknowledge Retirement	1	0	0	1
Director - Discharge from Liability	4	0	0	4
Director Election - All Directors [Single]	608	2	127	737
Director Election - Chairman	25	0	47	72
Director Election - Chairs Audit Committee	70	0	5	75
Director Election - Chairs Nomination Com	34	0	37	71
Director Election - Chairs Remuneration Com	58	2	6	66
Director Election - Chairs Risk Com	5	0	1	6
Director Election - Executives	173	0	21	194
Director Election - Lead Ind. Director/DepCH	45	0	11	56
Director Election - Non-executive/Sup Board	415	2	78	495
Director Election - Sits on Audit Committee	200	0	20	220
Director Election - Sits on Nomination Com	245	0	29	274
Director Election - Sits on Risk Com	32	0	7	39
Director Election - Sts on Remuneration Com	203	0	30	233
Distribute/Appropriate Profits/Reserves	8	0	0	8
Dividends - Ordinary	57	0	4	61
Dividends - Scrip	1	0	0	1
EGM Notice Periods	54	0	0	54
Financial Statements	41	0	30	71
Financial Statements - Environmental Issues	41	0	29	70
Individual Share Award	0	0	2	2
Issue Bonds (Other)	1	0	0	1
Issue Convertible Bonds	1	0	1	2
Long-term Deferral Systems	1	0	0	1

Long-term Incentive Plans	0	0	20	20
LTI: Discretionary Share Option Plan	1	0	1	2
LTI: Performance Share Plan	0	0	1	1
Meeting Formalities	3	0	0	3
Merger Related Compensation [US]	1	0	0	1
NED Remuneration - Fee Rate/Ceiling	5	0	0	5
NED Remuneration - Fees proposed for year	5	0	0	5
New Class of Capital	0	0	0	0
Other Changes to Governance Arrangements	25	0	0	25
Other Payments to Directors/Corp Auditors	2	0	0	2
Provision of Financial Assistance	1	0	0	1
Ratification of a Prior Act	0	0	0	0
Reduce Nominal Value	0	0	1	1
Reduce or Reclassify Capital or Reserves	0	0	0	0
Reduce Share Premium Account	1	0	0	1
Related Party Transaction - Specific Transaction	0	0	0	0
Remove Supermajority Provisions	3	0	0	3
Remuneration Policy	11	0	0	11
Remuneration Report	38	0	39	77
Resolution Issues	0	0	0	0
Return of Capital	0	0	0	0
Scheme of Arrangement	0	0	1	1
Set Exclusive Jurisdiction	1	0	0	1
SH: Director Election - All Directors [Single]	0	0	0	0
SH: Lobbying - Improve Disclosure	2	0	0	2
SH: Political Spending - Improve Disclosure	3	0	1	4
SH: Request Advisory Vote on Remuneration	1	0	0	1
SH: Restrict Accelerated Vesting of LTIP Awards	3	0	0	3
SH: Right to Nominate Directors - 'Proxy Access'	1	0	0	1
SH: Shareholder Resolution - Disclosure	9	0	0	9
SH: Shareholder Resolution - Other	0	0	0	0
SH: Voting Procedures	1	0	0	1
Share Buy-back Authority (inc Tender Offer)	57	0	7	64
Share Consolidation	2	0	1	3
Share Issue - Overall Ceiling	1	0	0	1
Share Issue - Placement (LR 7.1 ASX)	1	0	0	1
Share Issue - Preferred Shares	1	0	3	4
Significant Transactions	0	1	1	2
Special Meetings - Lower Threshold	1	0	0	1
Termination Payments (Actual payoffs)	1	0	0	1
Treasury Shares - Set Re-issue Price Range	1	0	0	1
Unclassified	0	0	0	0
	2763	**8**	**670**	**3441**

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**Investment Management Report**

Summary:

This report covers the management of the Lincolnshire Pension Fund assets, over the period from 1st July to 30th September 2015.

Recommendation(s):

That the committee note this report.

Background

This report is split into four areas:

- Funding Level Update
- Fund Performance & Asset Allocation
- Hymans Robertson Manager Ratings
- Individual Manager Update

1. Funding Level Update

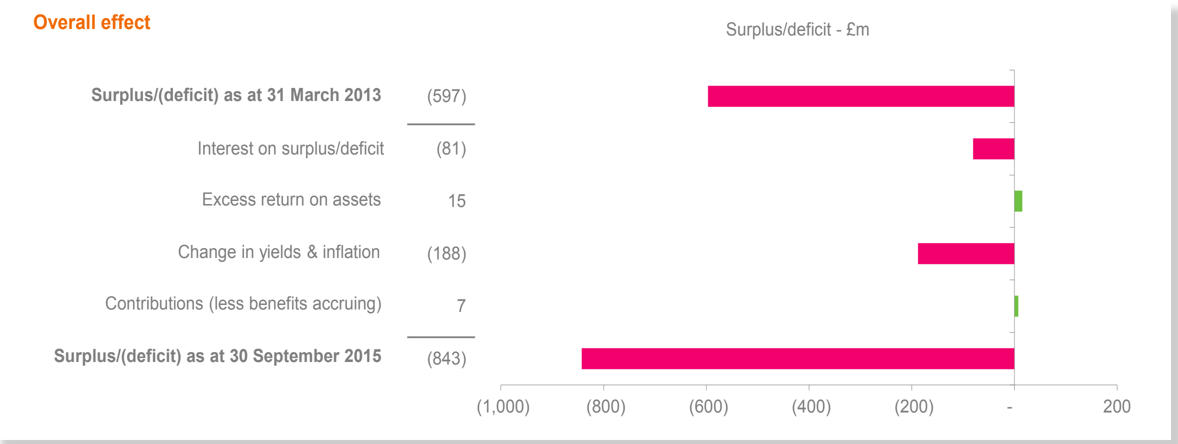
1.1 The funding update is provided to illustrate the estimated development of the funding position from 31st March 2013 to 30th September 2015, for the Fund.

1.2 As the graph below shows, the funding level at the latest formal valuation was 71.5%. As at 30th September 2015 the funding level has decreased to 66.4%.

Change in funding level since last valuation

1.3 As shown below, the deficit in real money has increased from £597m to £843m between the period 31st March 2013 and 30th September 2015. This is largely as a result of a decrease in bond yields, and subsequent discount rate, which places a higher value on the Fund's liabilities. This has been offset by a decrease in inflation.

What's happened since last valuation?



1.4 In the period since 30th June 2015, the funding level has decreased from 71% to 66.4% as a result of a further decrease in bond yields.

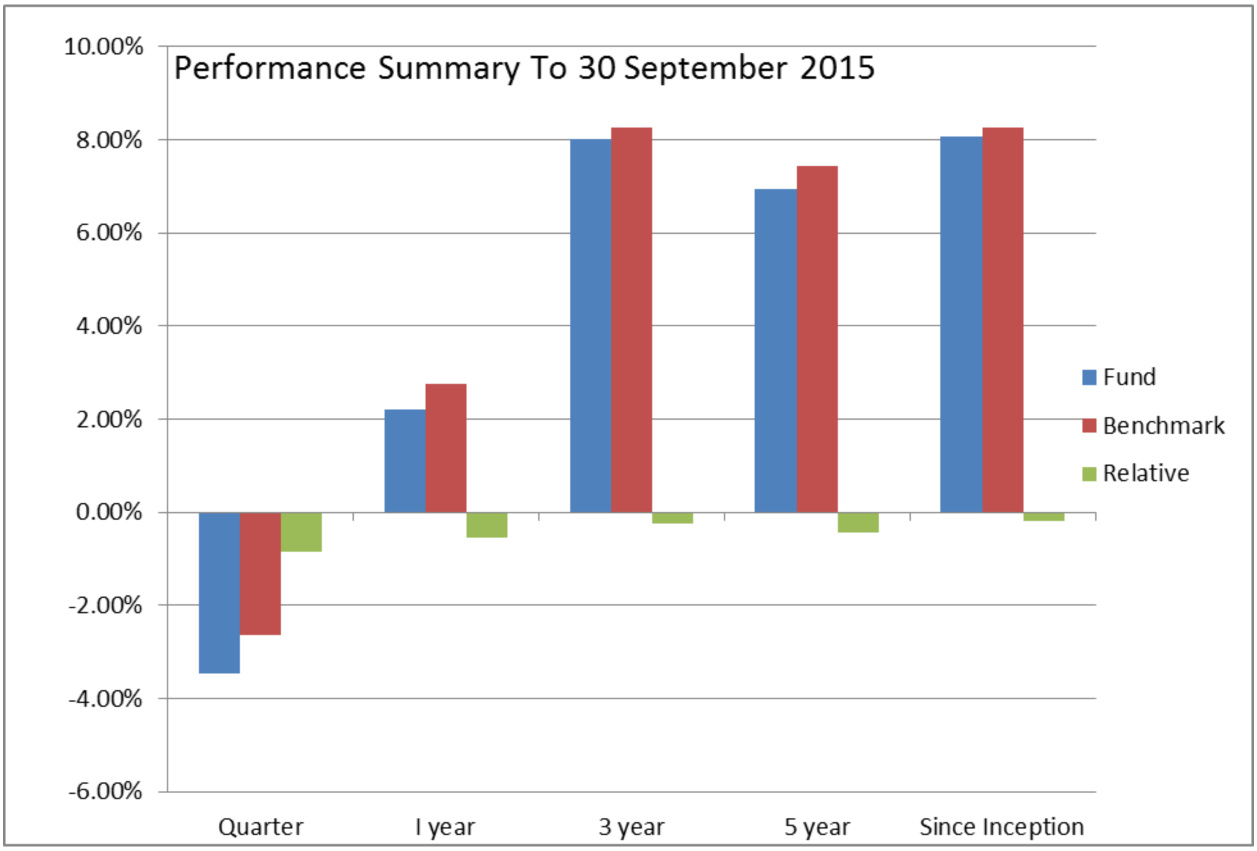
2. Fund Performance & Asset Allocation

2.1 The Fund decreased in value by £56.8m during the quarter from £1,714m to £1,657.2m, as the chart below shows. The Fund was overweight to cash and property and underweight equities and alternatives.

Asset Class	Q3 2015 £	Q2 2015 £	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	325.6	342.2	19.6	20.0	(0.4)
Global Equities	662.7	693.2	40.0	40.0	0.0
Alternatives	246.6	253.6	14.9	15.0	(0.1)
Property	197.1	197.4	11.9	11.5	0.4
Fixed Interest	223.4	222.4	13.5	13.5	0.0
Cash	1.8	5.2	0.1	0.0	0.1
Total	**1,657.2**	**1,714.0**	100.0	100.0	

2.2 The graph below shows the Fund's performance against the benchmark over the quarter, one year, three years, five years and since inception. The Fund has a target to outperform the strategic benchmark by 0.75% per annum.

2.3 Over the quarter, the Fund produced a negative return of -3.46% and underperformed the benchmark which returned -2.64%. The Fund is behind the benchmark over all periods.



* Since Inception figures are from March 1987

3. Hymans Robertson Manager Ratings

3.1 Hymans Robertson regularly meet managers to discuss current issues, management changes and performance. The manager is then allocated one of five ratings between replace and retain. The table below shows Hymans Robertson's rating of all managers that have been appointed by the Lincolnshire Pension Fund.

3.2 The Fund has twenty managers and there have been no changes to the ratings during the quarter. Sixteen managers remained rated as retain and three managers, Rreef Property Ventures Fund 3, Aviva Pooled Property Fund and Neptune as "on watch". Officers will monitor these managers closely and arrange meetings to discuss any potential issues

Manager	Rating				
	Replace		On Watch		Retain
Invesco Global Equities (Ex-UK)				X	
Threadneedle Global Equity				X	
Schroders Global Equity				X	
Neptune Global Equity			X		
Morgan Stanley Global Brands					X
F&C Absolute Return Bonds				X	
Morgan Stanley Alternative Investments					X
Blackrock Fixed Interest					X
Standard Life European Property				X	
Innisfree Continuation Fund 2					X
Innisfree Secondary Fund					X
Innisfree Secondary Fund 2					X
Franklin Templeton European Real Estate				X	
Franklin Templeton Asian Real Estate				X	
RREEF Ventures Fund 3			X		
Igloo Regeneration Partnership				X	
Aviva Pooled Property Fund			X		
Royal London PAIF				X	
Standard Life Pooled Property Fund				X	
Blackrock Property				X	

4. Individual Manager Update

4.1 The manager returns and index returns for equity, fixed interest and alternative managers are shown in the table below. A detailed report on each manager outlining the investment process, performance, purchases and sales and Hymans Robertson's manager view can be found after the table at 4.2.

4.2 Manager Returns – As shown below it was a poor quarter for the Fund with all managers, except Blackrock, producing a negative absolute return. Over the quarter, six managers outperformed their benchmark, with Neptune, Morgan Stanley Alternatives and F&C all underperforming by 3.5%, 4.7% and 2.3%. Over the 12 month period only F&C, Morgan Stanley Alternatives and the In House Portfolio have failed to produce a positive absolute return. Against their target, the performance has been mixed with four managers failing to match their target.

	3 months ended 30/09/15			Previous 12 months			
Manager	Manager Return %	Index Return %	Relative Variance %	Manager Return %	Index Return %	Relative Variance %	Target p.a. %
Passive UK Equity In house	(6.1)	(6.1)	0.0	(3.7)	(3.4)	(0.3)	+/- 0.5
Invesco (Global Equities (ex UK))	(4.3)	(4.8)	0.6	2.3	1.5	0.9	+1.0
Threadneedle (Global Equities)	(4.2)	(5.9)	1.7	4.8	0.4	4.3	+2.0
Neptune (Global Equities)	(9.1)	(5.9)	(3.5)	2.9	0.4	2.5	+4.0
Schroder's (Global Equities)	(4.6)	(6.0)	1.5	3.5	(0.1)	3.6	+3.0
Morgan Stanley Global Brands	(0.6)	(4.9)	4.6	7.8	1.6	6.1	n/a
Blackrock (Fixed Interest)	2.4	2.4	0.0	6.8	6.5	0.3	Match Index
F&C (Fixed Interest)	(1.6)	0.8	(2.3)	(2.7)	3.1	(5.6)	3M LIBOR + 3%
Morgan Stanley (Alternative Investments)	(3.6)	1.2	(4.7)	(4.7)	4.7	(9.0)	3M LIBOR + 4%

Lincolnshire Pension Fund
UK Equities – In House (Passive UK)
Quarterly Report September 2015

Investment Process

This portfolio is managed internally and mandated to track the MSCI UK IMI index +/- 0.5% around the index, with a tracking error of 0.5%. Approximately 250-300 stocks are held.

Portfolio Valuation

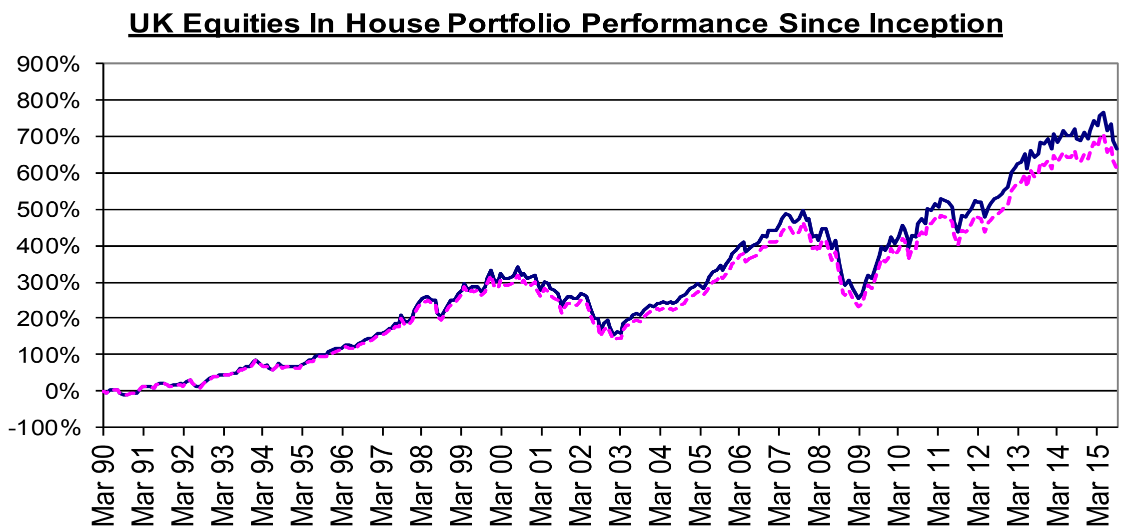
Value at 30.06.15	Value at 30.09.15
£342,172,813	£325,659,115

Performance

During the quarter the portfolio produced a negative return of 6.1% which matched the benchmark. The portfolio is slightly behind the benchmark over one and three year time periods but ahead over five years and since inception.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
UK Equities – In House	(6.1)	(3.7)	6.4	6.5	8.1
MSCI UK IMI	(6.1)	(3.4)	6.5	6.4	7.8
Relative Performance	(0.0)	(0.3)	(0.1)	0.1	0.3

* annualised, inception date 01/10/1989



Turnover

Holdings at 30.06.15	Holdings at 30.09.15	Turnover in Quarter %	Turnover in Previous Quarter %
255	263	1.6	0.0

Purchases and Sales

During the quarter the manager made several purchases and sales. New positions were taken in Workspace Group, Fevertree and Just Eat, whilst stock was added to RBS, Whitbread and BT. The manager sold out of XL Group, South32 Ltd and Colt Group as they exited the index.

Largest Overweights

Babcock	0.11%
Indivior	0.18%
Inmarsat	0.10%
Travis Perkins	0.10%
Hikma Pharmaceuticals	0.10%

Largest Underweights

Glencore	(0.10%)
HSBC	(0.09%)
Paysafe	(0.08%)
Diageo	(0.07%)
Astrazeneca	(0.07%)

* Measured against MSCI UK IMI

Top 10 Holdings

1	Royal Dutch Shell	£17,596,439
2	HSBC Holdings	£17,188,305
3	British American Tobacco	£11,952,355
4	GlaxoSmithkline	£11,151,728
5	BP	£10,669,643

6	Vodafone Group	£9,818,654
7	Astrazeneca	£9,152,049
8	Diageo	£7,807,711
9	Lloyds Banking Group	£7,623,997
10	Barclays	£7,312,032

Risk Control

The portfolio has a tracking error limit of 0.5%. At the end of September 2015 the tracking error was 0.26%.

Lincolnshire Pension Fund
Global Equities – Invesco (Global Ex UK Enhanced)
Quarterly Report September 2015

Investment Process

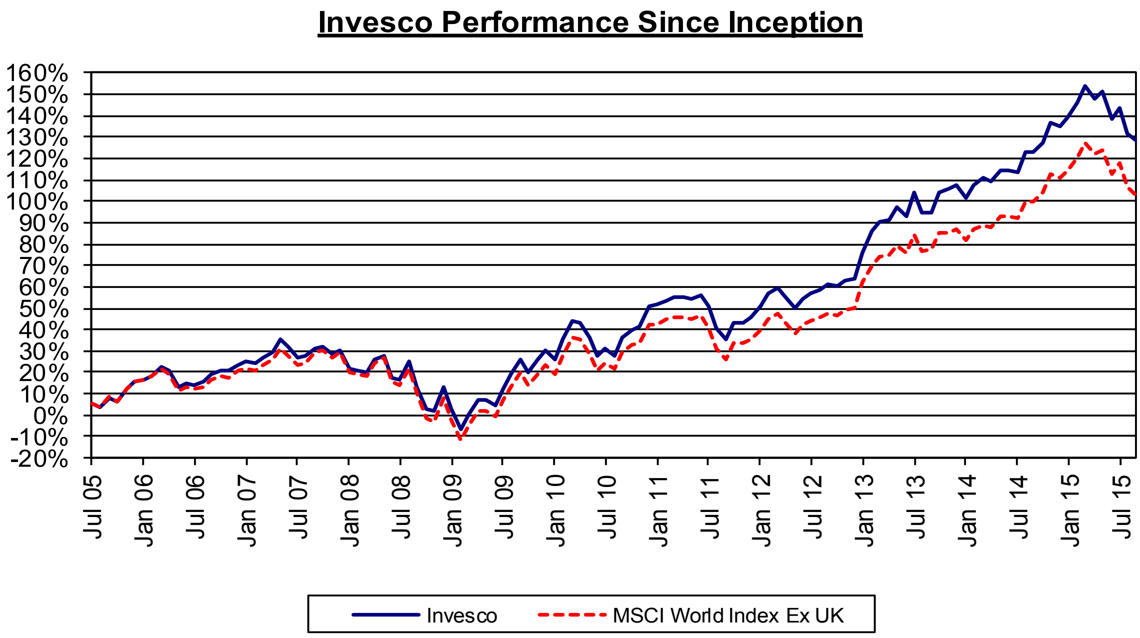
This portfolio is mandated to track the MSCI World ex UK Index, with a performance target of +1% and a tracking error of 1%. The aim is to achieve long-term capital growth from a portfolio of investments in large-cap global companies. Active performance is generated through a quantitative bottom-up investment process, driven by stock selection and based on four concepts: Earnings Momentum, Price Trend, Management Action and Relative Value.

Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£344,469,542	£329,822,684

Performance

During the quarter Invesco's strategy outperformed its benchmark. Stock Selection had the largest positive impact on relative performance. Their momentum-related concepts Earnings Expectation and Management & Quality contributed positively to the development of the strategy. While the allocation in stocks with attractive scores in the Market Sentiment concept added to return, the intended overweights in the Value hurt performance.



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Invesco	(4.3)	2.3	12.4	10.8	8.6
MSCI World ex UK	(4.8)	1.5	11.2	9.3	7.3
Relative Performance	0.6	0.9	1.1	1.4	1.2

* annualised, inception date 1st July 2005

Turnover

Holdings at 30.06.15	Holdings at 30.09.15	Turnover in Quarter %	Turnover in Previous Quarter %
438	457	10.1	11.4

Purchases and Sales

During the quarter Invesco made a number of stock adjustments to the portfolio as a result of their stock selection process. Invesco increased their positions in General Electric, Macquarie, Walt Disney and Apple. These were funded by selling out of Health Net, Allstate and Delhaize Group and decreased their positions in NTT and HP.

Largest Overweights

Intel	1.02%
Pfizer	0.96%
Apple	0.92%
JPMorgan Chase	0.86%
Citigroup	0.83%

Largest Underweights

Google	(0.66%)
Amazon	(0.56%)
Exxon Mobil	(0.55%)
Chevron	(0.52%)
Coca Cola	(0.42%)

* Measured against MSCI World ex UK (NDR)

Top 10 Holdings

1	Apple Inc	£10,323,621
2	JPMorgan Chase	£5,394,985
3	Pfizer Inc	£5,358,574
4	Microsoft Corp	£5,295,599
5	General Electric Co	£5,170,781

6	Intel Corp	£4,973,106
7	Citigroup Inc	£4,433,629
8	Johnson & Johnson	£4,171,723
9	Comcast Corp	£3,316,568
10	Cisco Systems	£3,090,975

Hymans Robertson View

There were no relevant business issues reported over the period.

Risk Control

The predicted tracking error of the portfolio slightly increased to 1.07% (actual target 1%).

Lincolnshire Pension Fund
Global Equities – Neptune
Quarterly Report September 2015

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Index by 2% to 4% over rolling three year periods, net of fees. This is achieved through generating capital growth from a concentrated portfolio of global securities, selected from across world equity markets. The investment process of Neptune means that they will usually generate more volatile returns that the Fund's other Global Equity Managers and are seen as benchmark agnostic.

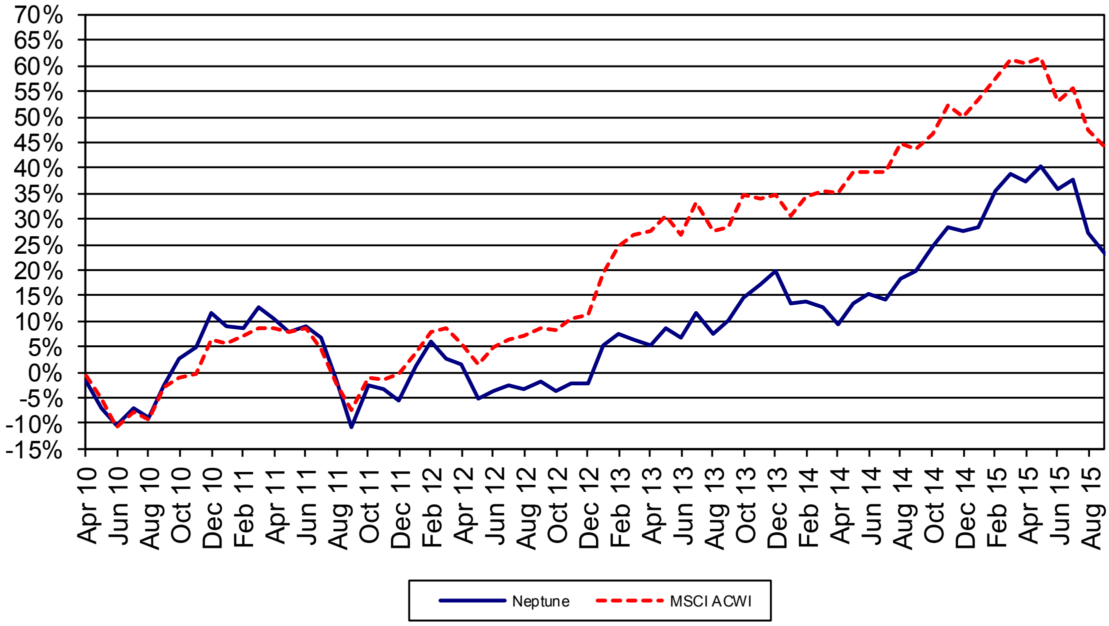
Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£89,662,366	£81,983,621

Performance

During the quarter Neptune produced a negative return of 9.1% and underperformed the benchmark by 3.5%. This was due to significant volatility in August, precipated by renewed concerns over the possibility of a "hard landing" in China. This led to negative returns in emerging market indices, and China was the worst affected, falling nearly 20%. This had a knock on effect, particularly in Japan as global multinationals with exposure to China suffered.

Neptune Performance Since Inception



	Quarter %	1 Year %	3 Year %	5 Year %	Inception* %
Neptune	(9.1)	2.9	7.9	4.8	4.1
MSCI ACWI**	(5.9)	0.4	9.8	8.3	7.2
Relative Performance	(3.5)	2.5	(1.8)	(3.2)	(2.9)

* annualised, inception date 16/04/2010

Turnover

Holdings at 30.06.15	Holdings at 30.09.15	Turnover in Quarter %	Turnover in Previous Quarter %
55	53	9.0	5.9

Purchases and Sales

Neptune made a number of changes to the portfolio during this period, including buying two more Japanese companies, Keyence Corp, and make-up manufacturer, Shiseido Co Ltd, whilst shedding Japanese robot maker Fanuc. Neptune also sold a number of US stocks, including credit card provider American Express and healthy food supermarket, Whole Foods Market Inc.

Top 5 Contributions to Return

Google Inc	0.6%
Amazon.com	0.4%
Taisei Corp	0.4%
Kajima Corp	0.3%
Nike Inc	0.3%

Bottom 5 Contributions to Return

Komatsu Ltd	(0.5%)
Baidu.com	(0.5%)
Mitsubishi	(0.5%)
Dai-ichi Life Insurance	(0.5%)
NSK Ltd	(0.7%)

Top 10 Holdings

1	Google Inc	£3,489,918
2	Starbucks Corp	£3,000,891
3	Apple Inc	£2,912,164
4	CME Group Inc	£2,753,326
5	Mitsubishi Estate	£2,686,672
6	Mitsui Fudosan Co	£2,610,438
7	Sumitomo Realty	£2,609,363
8	Linkedin Corp	£2,509,193
9	Dai-ichi Life Ins Co	£2,398,712
10	Daiwa Securities	£2,326,523

Hymans Robertson View

There were no relevant business issues to report over the period but Hymans will reviewing their rating in fourth quarter following a further research meeting.

Risk Control

The portfolio may invest up to a maximum of 10% of value in securities outside the benchmark index and, in addition, may hold a maximum of 20% of value in cash, in any currency. The portfolio has no regional constraints but will always maintain exposure to at least seven of the ten MSCI Global Sectors and a broad geographical reach.

Lincolnshire Pension Fund
Global Equities – Schroders
Quarterly Report September 2015

Investment Process

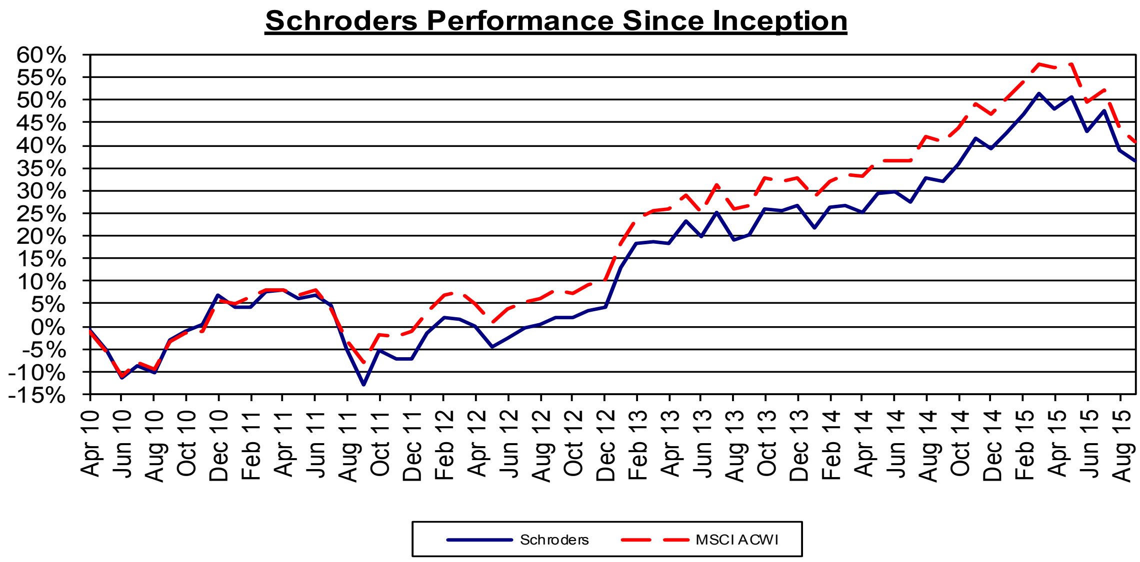
This portfolio is mandated to outperform the MSCI All Countries World Daily Net Index by 2% to 4% over rolling three year periods, gross of fees. This is achieved through an investment approach that is designed to add value relative to the benchmark through both stock selection and asset allocation decisions. Schroders believe that stock markets are inefficient and they can exploit this by undertaking fundamental research and taking a long term view.

Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£85,441,059	£81,496,556

Performance

Schroders outperformed the benchmark over the period, driven by strong stock selection, particularly in the technology sector. Their holdings in healthcare and materials sector also added to relative return. The main detractor was stock selection in Japan. Over one and three years Schroders have outperformed the benchmark but underperformed over five years and since inception.



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Schroders	(4.6)	3.5	10.3	7.1	6.1
MSCI ACWI (Net)	(6.0)	(0.1)	9.3	7.8	6.7
Relative Performance	1.5	3.6	0.9	(0.7)	(0.6)

*annualised since Inception April 16 2010

Turnover

Holdings at 30.06.15	Holdings at 30.09.15	Turnover in Quarter %	Turnover in Previous Quarter %
69	67	7.1	10.8

Purchases and Sales

During the quarter Schroders increased their exposure to the consumer sector with new purchases in TripAdvisor and Mondelez. Sales this quarter included stocks where they were concerned about the demand outlook in China such as auto companies manufacturer BorgWarner and Japanese housebuilder Sekisui House.

Top 5 Contributions to Return

Google Inc	0.6%
Safran	0.3%
Amazon.com	0.3%
Imperial Tobacco	0.3%
Reckitt Benckiser	0.3%

Bottom 5 Contributions to Return

SMC Group	(0.4%)
Cabot Oil & Gas	(0.3%)
Alibaba	(0.2%)
Tenet Healthcare	(0.2%)
Daikin Industries	(0.2%)

Top 10 Holdings

1	Google Inc	£2,512,320
2	Citigroup Inc	£2,063,963
3	Pfizer Inc	£2,057,050
4	Taiwan Semiconductor	£1,910,944
5	Reckitt Benckiser	£1,881,834

6	Danaher Corp	£1,854,437
7	JPMorgan Chase & Co	£1,802,633
8	Comcast Corp	£1,779,204
9	Cognizant Tech	£1,776,692
10	Nestle	£1,763,964

Hymans Robertson View

Hymans have reviewed Schroders during the quarter and sufficiently encouraged by the actions Alex Tedder has taken over the last 12 months to restore their "retain" rating.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

Lincolnshire Pension Fund
Global Equities – Threadneedle
Quarterly Report September 2015

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Index by 2% per annum, gross of fees over rolling three year periods. This is achieved through investment managers who can draw on their own knowledge and that of other parts of the organisation to implement a thematic approach to stock selection.

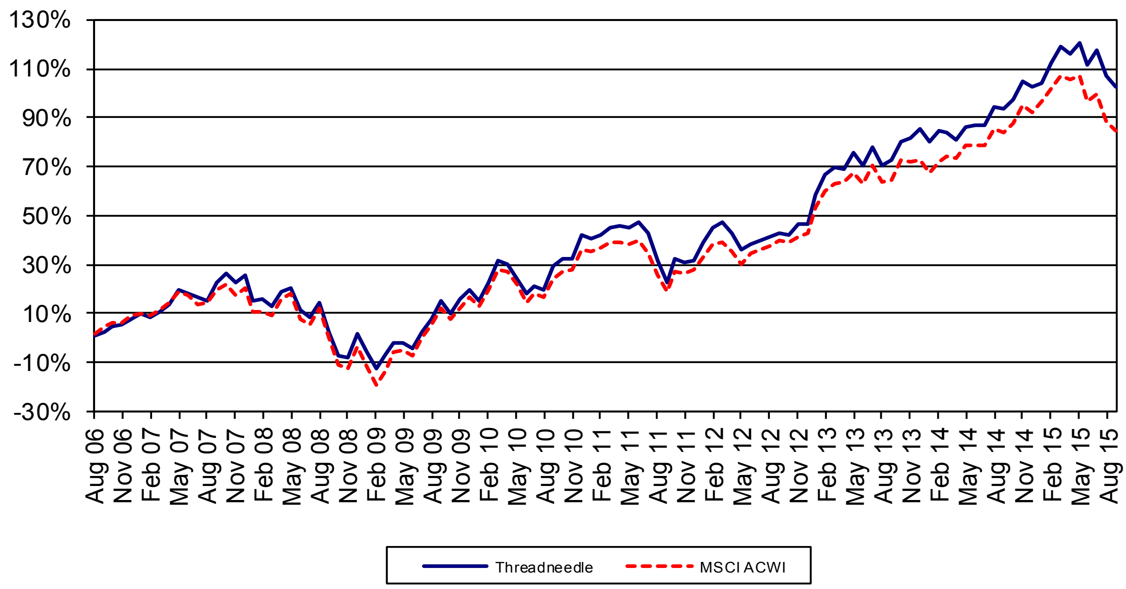
Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£88,102,935	£84,380,768

Performance

Threadneedle outperformed its benchmark in the quarter. Regional allocation added value as developed Asia, where they are underweight, underperformed. Over all periods Threadneedle are ahead of the benchmark and are ahead of their target over 1 and 3 years.

Threadneedle Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Threadneedle	(4.2)	4.8	12.3	9.4	8.5
MSCI ACWI	(5.9)	0.4	9.8	8.2	7.3
Relative Performance	1.7	4.3	2.3	1.0	1.1

* annualised, inception date 01/08/2006

Turnover

Holdings at 30.06.15	Holdings at 30.09.15	Turnover in Quarter %	Turnover in Previous Quarter %
83	85	8.3	9.3

Purchases and Sales

Threadneedle opened a position in Royal Dutch Shell to reduce their underweight position in energy. They also initiated a new position in medical equipment company Zimmer Biomet. These were funded by selling their holding in investment bank Nomura during the quarter.

Top 5 Contributions to Return

Google Inc	0.3%
Nike Inc	0.3%
Amazon.com	0.2%
Sabre Corp	0.2%
Markit Ltd	0.2%

Bottom 5 Contributions to Return

Methanex Corp	(0.6%)
WESCO International	(0.4%)
Gilead Sciences	(0.4%)
Mazda	(0.3%)
Spirit Airlines	(0.3%)

Top 10 Holdings

1	Google Inc	£2,252,889
2	Gilead Sciences	£2,228,722
3	Facebook Inc	£2,208,090
4	UBS AG	£1,920,021
5	Comcast Corp	£1,867,746

6	Priceline Group	£1,706,277
7	Aon PLC	£1,690,974
8	Amphenol Corp	£1,607,717
9	Mastercard Inc	£1,600,715
10	Apple Inc	£1,593,099

Hymans Robertson View

There was no relevant business issues reported over the period.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

Lincolnshire Pension Fund
Global Equities – Morgan Stanley Global Brands
Quarterly Report September 2015

Investment Process

The Global Brands Fund is an open-ended investment company incorporated in the United Kingdom. The aim of the Fund is to provide long term capital appreciation through investing in a concentrated high quality global portfolio of companies with strong “intangible assets”. The Fund is benchmarked against the MSCI World Index. Managers aim to gain an absolute return to the Fund rather than a relative return against their benchmark index.

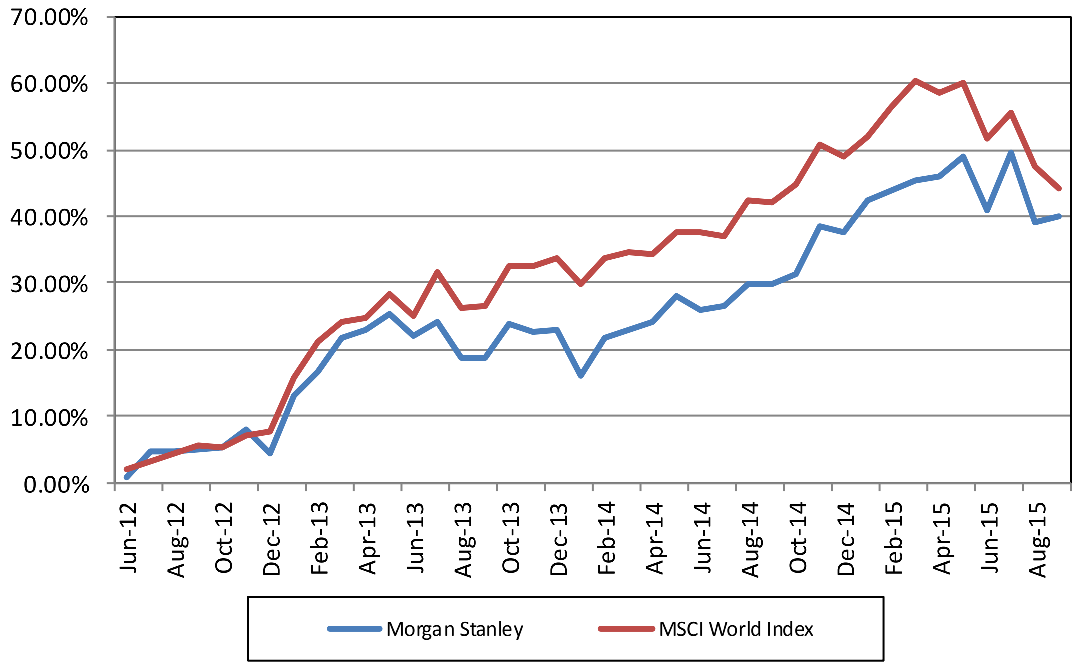
Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£85,570,518	£85,073,555

Performance

During the quarter Morgan Stanley Global Brands returned -0.58% outperforming its benchmark by 4.6%, which returned -4.94%. The outperformance for the quarter was mainly due to large Consumer Staples positions which were up in the tough market. The worst performers came from US Media, on the back of the August scare about rising cord-cutting.

Morgan Stanley Global Brands Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Morgan Stanley Global Brands	(0.6)	7.8	10.0	N/A	12.6
MSCI World Index	(4.9)	1.6	10.9	N/A	13.8
Relative Performance	4.6	6.1	(0.8)	N/A	(1.1)

*annualised, inception date 18/06/2012

Purchases and Sales

During the quarter Morgan Stanley added to some of their Media names and reduced some of their positions in Consumer Staples, Pharma and Luxury Goods on relative valuation grounds.

Top 3 Contributions to Return

British American Tobacco	1.1%
Nestle	1.0%
Reckitt Benckiser	1.0%

Bottom 3 Contribution to Return

Time Warner	(0.6%)
21st Century Fox	(0.3%)
Japan Tobacco	(0.2%)

Top Ten Holdings

Company	**Industry**	**% Weighting**
Nestle	Food Products	9.5
British American Tobacco	Tobacco	9.0
Reckitt Benckiser	Household Products	7.4
Microsoft	Software	6.8
Unilever	Personal Products	6.7
Accenture	IT Services	4.8
Altria Group	Tobacco	4.8
Mondelez	Food Products	4.6
Time Warner	Media	4.1
Visa	IT Services	4.0

Hymans Robertson View

In July, Morgan Stanley has announced two new experienced hires for the International Equity team that manages the Global Brands / Franchise strategy. Yiwen Li left the team at the end of March 2015. The manager has since made two new hires, Nic Sochovsky (ex-Credit Suisse) and Richard Perrott (ex-Autonomous Research / Brenberg Bank). We do not know these individuals from their previous employment but we are encouraged to see the team being strengthened.

Lincolnshire Pension Fund
Passive Bonds – Blackrock
Quarterly Report September 2015

Investment Process

Blackrock manage a passive bond mandate for the Pension Fund. Their portfolio is made up of three pooled funds; an index-linked bond fund, a corporate bond fund and an overseas bond fund. All three funds are designed to match the return of their relevant benchmarks. The manager uses two methods to manage index-tracking funds; full replication and stratified sampling.

Full replication involves holding each of an index's constituent bonds in exactly the same proportion as the index. This method is used where the number of constituents in an index is relatively low and liquidity is above a certain level.

Stratified sampling is the method used when full replication is not possible or appropriate. This approach subdivides the benchmark index according to various risk characteristics, such as currency/country, maturity, credit rating, sector of issuer etc. Each subset of bonds is then sampled to select bonds for inclusion within the pooled fund.

The table below shows the indexing method for each of the three pooled funds in which the Fund invests.

Pooled Fund	**Indexing Method**
Aquila Life Corporate Bond All Stocks Index Fund	Sampled
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	Full Replication
Aquila Life Overseas Bond Index Fund	Sampled

Portfolio Valuation at 30th September 2015

Portfolio	**30.06.15 £**	**30.09.15 £**
Corporate Bond All Stocks Index Fund	56,102,690	56,649,063
Over 5 Years UK Index-Linked Gilt Index Fund	33,332,957	34,111,942
Overseas Bond Index Fund	21,632,164	22,970,482
Total	**111,067,811**	**113,731,487**

Performance

Over all periods the portfolio has slightly outperformed the benchmark.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Blackrock	2.4	6.8	5.3	6.0	7.2
Composite Benchmark	2.4	6.5	5.2	6.0	7.2
Relative Performance	0.0	0.3	0.1	0.0	0.1

*annualised since inception 28/07/10

Hymans Robertson View

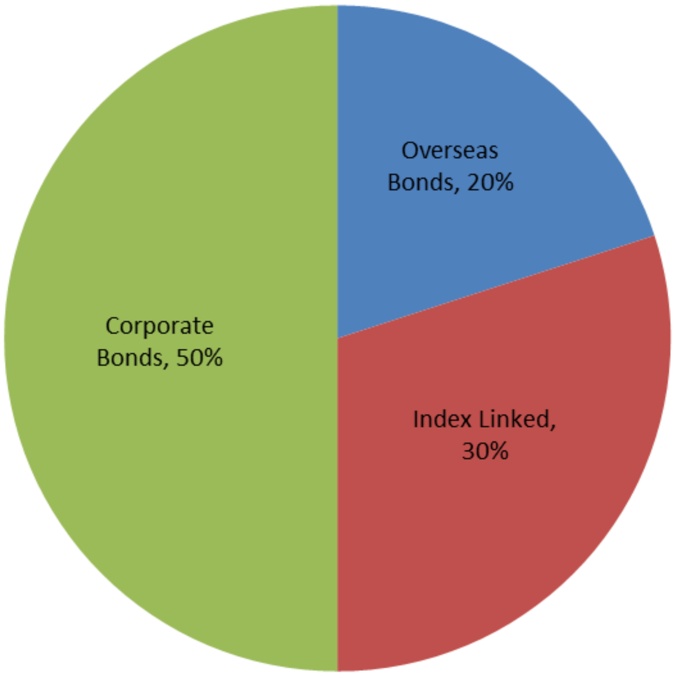
There were no significant developments within the Index Fixed Income team over the quarter; as such Hymans continue to rate Blackrock as one of their preferred passive fixed income managers.

Allocation

The target allocation between the three funds is:

Aquila Life Corporate Bond All Stocks Index Fund	50%
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	30%
Aquila Life Overseas Bond Index Fund	20%

The pie chart below shows the allocation as at 30th September 2015



Lincolnshire Pension Fund
Absolute Return Bonds – F&C
Quarterly Report September 2015

Investment Process

F&C manage an absolute return bond mandate for the Fund. The Pension Fund is invested in their multi-manager target return fund, with an investment objective to achieve a low level of return in excess of anticipated money market returns, within a multi-manager structure. The managers are selected to exploit various investment opportunities, including the money market, interest rate, equity, commodity, currency and credit markets. The manager has a target to beat the return of 3 month LIBOR +3%.

Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£111,368,676	£109,625,436

Performance

F&C produced a negative return of 1.6% during the quarter which was 2.3% below target. The most important contributor to F&C's return this quarter was the negative return from Chenavari, which was down 4.3% over the quarter, but they think this is likely to recover quickly. F&C have retained the relatively high exposure to short dated bonds in the portfolio, which has proven to be the right decision so far.

Over the mid-term, they are becoming nervous regarding government bond performance for the first time in many years and are waiting to see the reaction of the bond markets when the Fed finally start to increase rates and are hopeful that this will allow them to re-enter some rates and currency strategies in 2016.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
F&C	(1.6)	(2.7)	0.5	1.2	1.4
3 Month LIBOR + 3%	0.8	3.1	3.1	3.2	3.6
Relative Performance	(2.3)	(5.6)	(2.5)	(2.0)	(2.1)

* annualised since inception date 19/07/2010

Allocation

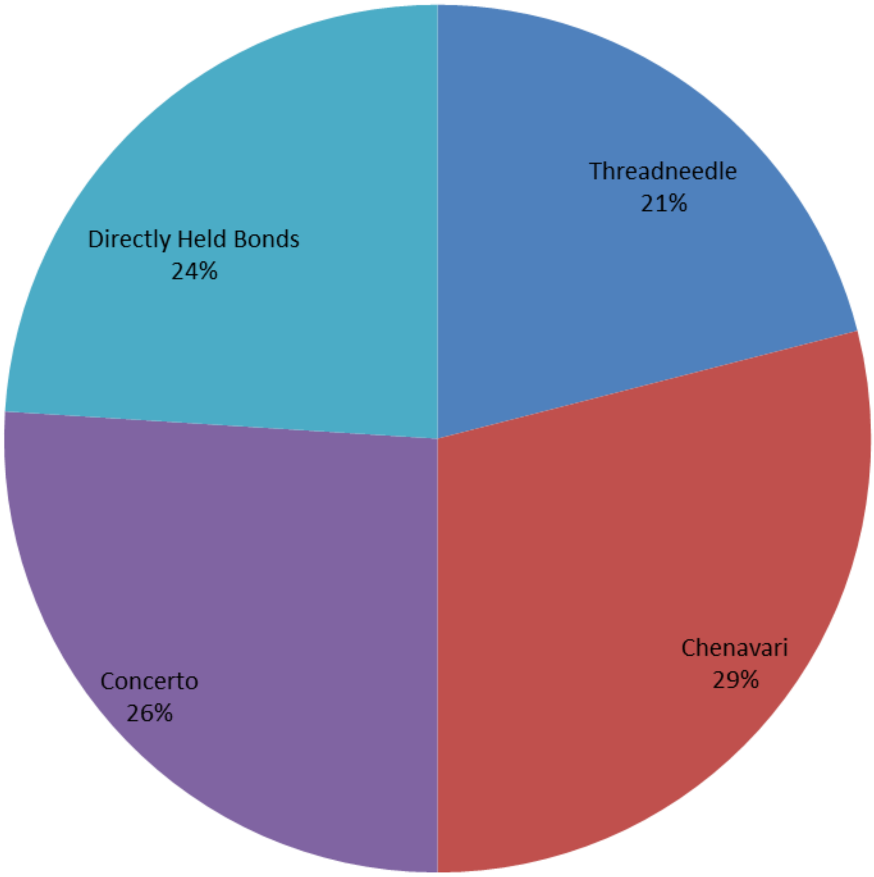
The target return fund is currently split between three managers, listed below with their speciality investment areas:

Threadneedle	Interest rates, currency
Chenavari	Credit
Concerto	Credit

Hymans Robertson View

Performance in 2015 has been disappointing given the absolute return benchmark. The Fund continues to be managed by Ben Fox and he is looking at adding other managers to the strategy and is currently undertaking the necessary due diligence.

The pie chart below shows the allocation as at 30th September 2015



Lincolnshire Pension Fund
Alternative Investments – Morgan Stanley
Quarterly Report September 2015

Investment Process

Morgan Stanley manages a bespoke absolute return alternative investment mandate for the Fund. The portfolio is invested in alternatives only, with no exposure to traditional equities or bonds. Investments are made to complement our existing portfolio and in future will include our Private Equity portfolio. The manager has a target to beat the return of 3 Month LIBOR + 4%.

Portfolio Valuation

Value at 30.06.15	Value at 30.09.15
£178,878,880	£179,384,509

Performance

The portfolio returned -3.74% during the third quarter, as gains from real assets and catastrophe risk were insufficient to offset losses in credit and hedge funds. With the exception of EM debt, high yield and global macro, manager selection was positive in all asset classes. Tactical decisions were mixed. The decision to reduce the allocation to high yield over the quarter and increase their public real estate exposure in September was beneficial to performance. In contrast, their energy tilt in high yield dragged on returns.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Morgan Stanley	(3.6)	(4.7)	1.9	n/a	3.7
3 Month LIBOR + 4%	1.2	4.7	4.7	n/a	5.0
Relative Performance	(4.7)	(9.0)	(2.6)	n/a	(1.3)

* annualised since inception date 24/11/2010

Allocation

Morgan Stanley has split out investments into a bespoke portfolio of alternatives comprising five different asset allocations;

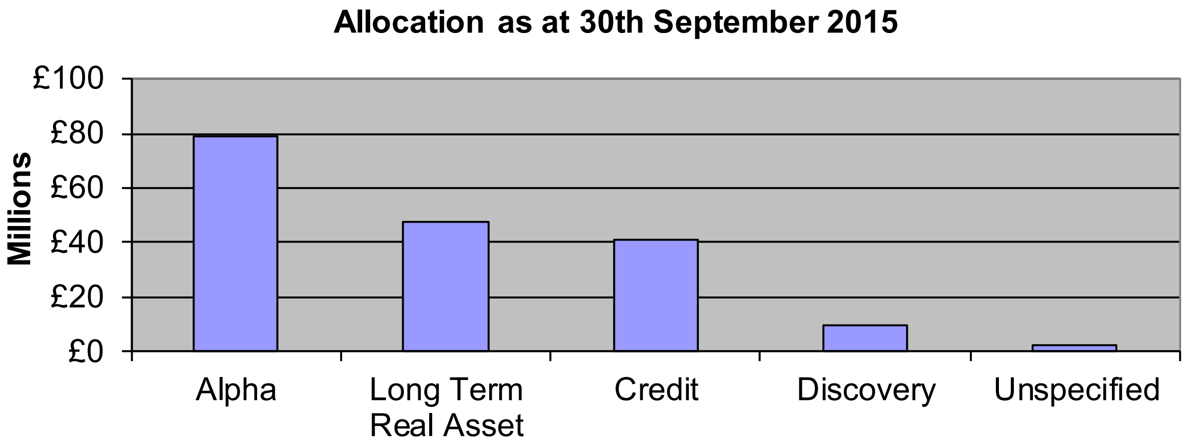
Alpha – These are pure return seeking products based on Manager skill. The Alpha investments include Hedge Funds, Global Tactical Asset Allocation (GTAA) and Active Currency.

Long Term Real Asset – These are long term investments that seek to access illiquidity premium. Investments include Private Equity, Infrastructure, Real Estate, Commodities and Inflation – linked strategies.

Credit – These are the purchase of the lower rated bonds where higher default is more likely. Manager selection is important to ensure the correct bonds are purchased that will appreciate following rating upgrades and merger and acquisition activity. Credit opportunities include Emerging Market Debt, High Yield Bonds, Senior Loans and Convertibles.

Discovery – These are new opportunities of investments and can include Frontier Markets, Distressed Opportunities and Volatility.

Unspecified – These are cash balances held with Morgan Stanley.



Portfolio Positioning

Given the uptick in volatility in both equity and credit markets and potential Fed rate increase, Morgan Stanley remain focused on alpha-oriented strategies (hedge funds) at the expense of credit strategies and commodities. This quarter, they continued to modestly add to the hedge fund portfolio while reducing their macro allocation. They also increased their exposure to catastrophe risk, reflecting their continued positive view on the asset class. They remain underweight credit given the imminent U.S. interest rate hike, feared slowdown in growth and decline in oil prices. In addition, they are cautious on EM debt given the China slowdown. Over the quarter they modestly decreased credit through reductions in high yield and EM debt. Within real assets, they are progressively making commitments to private infrastructure. On the liquid side, they have a preference for listed private equity over listed infrastructure, since the latter is more exposed to interest rate sensitivity. The portfolio held a significant tactical underweight to real estate securities heading into the third quarter in acknowledgement of its interest rate sensitivity, but the allocation was increased to a neutral weight at the end of August to reflect improving valuations. Lastly, they remain conservatively positioned on commodities as certain sectors are vulnerable to oversupply and a stronger USD.

Hymans Robertson View

Hymans feel the recent performance has been disappointing and will be undertaking a review of the manager and their rating in the fourth quarter of 2015.

Risk Control

Portfolio volatility since inception is 3.87% within the guidelines specified by the mandate.

Conclusion

Over the quarter the Fund has produced a negative return of -3.64% which is behind the benchmark.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Nick Rouse, who can be contacted on 01522 553641 or nick.rouse@lincolnshire.gov.uk.

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Lincolnshire COUNTY COUNCIL
Working for a better future

:
Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**Pension Fund Policies - Code of Conduct and Conflict of Interest Policy and Reporting Breaches Procedure**

Summary:

This paper presents two policies for the Pensions Committeee to adopt, the Code of Conduct and Conflict of Interest Policy and the Reporting Breaches Procedure.

Recommendation(s):

That the Committee adopt

1) the Pension Fund Code of Conduct and Conflict of Interest Policy, and

2) the Pension Fund Reporting Breaches Procedure

Background

1. The newly created Pension Board adopted a Code of Conduct and Conflict of Interest Policy and a procedure for reporting breaches to the Pensions Regulator at their first meeting in July, as required within guidance issued by the Secretary of State. Following discussion at the Pensions Committee meeting held on 8th October, it was agreed that it would be best practice to widen the Policies to cover the Pensions Committee too, and for them be Pension Fund policies.

2. This paper brings the Pension Fund Code of Conduct and Conflict of Interest Policy (appendix A) and the Pension Fund Reporting Breaches Procedure to the Pensions Committee to be adopted.

Conclusion

3. Guidance issued by the Secretary of State following the Public Service Pensions Act 2013 and the LGPS Regulations 2013, requires Pension

Boards to have adopted a Code of Conduct and Conflict of Interest Policy and a Reporting Breaches Procedure. In looking to follow best practice, it was agreed that these policies should be widened to cover the Pension Fund, and therefore the Pensions Committee.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Code of Conduct and Conflict of Interest Policy
Appendix B	Lincolnshire Pension Fund Reporting Breaches Procedure

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

LINCOLNSHIRE PENSION FUND

CODE OF CONDUCT & CONFLICT OF INTEREST POLICY

1. Code of conduct

1.1 As members of a publicly funded body with a responsibility to discharge public business, members the Lincolnshire Pension Board and Pensions Committee should have the highest standards of conduct.

1.2 Members should have regard to the Seven Principles of Public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

1.3 All Lincolnshire Pension Board and Pensions Committee members must undertake to act in accordance with the following:

- You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

- You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

- You must make all choices on merit and must be impartial and seen to be impartial, when carrying out your public duties.

- You must co-operate fully with whatever scrutiny is appropriate to your role.

- You will on occasions be privy to confidential and sensitive information, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation. This information must not be revealed without proper authority.

- You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

- You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

- You will sign adherence to the Conflict of Interest Declaration and declare any further potential conflicts of interest that may arise once appointed as a member.

- You should comply with the Lincolnshire Pension Fund Code in addition to existing compliance with the Member or Officer Code of Conduct.

2. Conflict of interest

2.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a "conflict of interest", which is defined in Section 5(5) as a "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme."

2.2 A conflict of interest exists where there is a divergence between the individual interests of a person and their responsibility towards the Lincolnshire Pension Fund, such that it might be reasonably questioned whether the actions or decisions of that person are influenced by their own interests. A conflict of interest would prejudice an individual's ability to perform their duties and responsibilities towards the Pension Fund in an objective way. Examples of potential conflicts of interest for all those involved in managing the Pension Fund, are listed at appendix A.

2.4 All prospective Pension Board members are required to complete the Lincolnshire Pension Board Conflict of interest declaration before they are appointed to the Pension Board, attached at appendix B. All Pensions Committee members are also required to complete a declaration.

2.5 All appointments to the Pension Board should be kept under review by the Executive Director of Finance and Public Protection.

2.5 It is the duty of any appointed Pension Board or Pensions Committee member to declare any potential conflict of interest. For the Pension Board, this declaration should be made to the Chair of the Lincolnshire Pension Board in the first instance or to the Scheme Manager, and recorded in a register of interests. For Pensions Committee members, this declaration should be made in the normal way, as set down in the Council's Conflict of Interest Policy.

2.7 Any potential conflict of interests shall be identified and monitored in a register of interests (attached at appendix C). The register of interests should be circulated to the Lincolnshire Pension Board, Pensions Committee and Scheme Manager for review and publication.

2.8 If any member suspects any conflict of interest it should report its concerns to the Scheme Manager.

2.9 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the Pension Board or Pensions Committee, members or officers of the Pension Fund should consider obtaining legal advice when assessing its course of action and response, and may wish to consult the Chief Legal Officer in the first instance.

2.10 Education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Knowledge and Understanding policy.

3. Alleged breaches of the Code of Conduct and conflict of interest policy

3.1 A process for dealing with the consideration of any alleged breaches, to include any sanctions to be applied, will be agreed by the Scheme Manager, the Lincolnshire Pension Board and the Pensions Committee.

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Examples of Potential Conflicts of Interest

a) An elected member on the Pension Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Pension Committee is on the board of a Fund Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.

d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.

g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Executive Director of Finance and Public Protection, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.

h) Officers of the Fund are asked to provide a report to the Pension Board or Pension Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.

i) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

j) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Board.

Declaration of Interests relating to the management of Lincolnshire Pension Fund administered by Lincolnshire County Council

I, ………………………………………………………………………………………[insert full name], am:

Tick as appropriate

- an officer involved in the management ☐
- Pension Board Member ☐
- Pensions Committee Member ☐

of Lincolnshire Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Lincolnshire Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Declaration of Other Appointments:

In addition to the declaration overleaf, I list below any appointments that I hold that may be considered as potentially related:

Undertaking: I declare that I understand my responsibilities under the Lincolnshire Pension Fund Conflicts of Interest Policy. I undertake to notify the Pensions Fund Manager of any changes in the information set out above.

Signed ____Date ______________________

Name (CAPITAL LETTERS) ____

Lincolnshire Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Lincolnshire County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of Conflict	Actual or Potential	How notified? (1)	Action taken (2)	Follow up Required	Date Resolved

(1) E.g. Verbal declaration at meeting, written conflicts declaration, etc.
(2) E.g. Withdrawing from a decision making process, left meeting, etc.

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LINCOLNSHIRE PENSION FUND

Reporting Breaches Procedure

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Lincolnshire Pension Fund, the Local Government Pension Scheme managed and administered by Lincolnshire County Council, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This Procedure document applies, in the main, to:

- all members of the Lincolnshire Pension Board and Pensions Committee;
- all officers involved in the management of the Pension Fund ;
- personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Lincolnshire Pension Fund who are responsible for pension matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 **Pensions Act 2004**
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**
Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 **Application to the Lincolnshire Pension Fund**
This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Lincolnshire Pension Fund and this document sets out how the Board and Committee will strive to achieve best practice through use of a formal reporting breaches procedure.

3 The Lincolnshire Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**
Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made

- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:
  http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the County Finance Officer and the Executive Director of Finance and Public Protection, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the County Finance Officer, the Executive Director of Finance and Public Protection, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 **Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

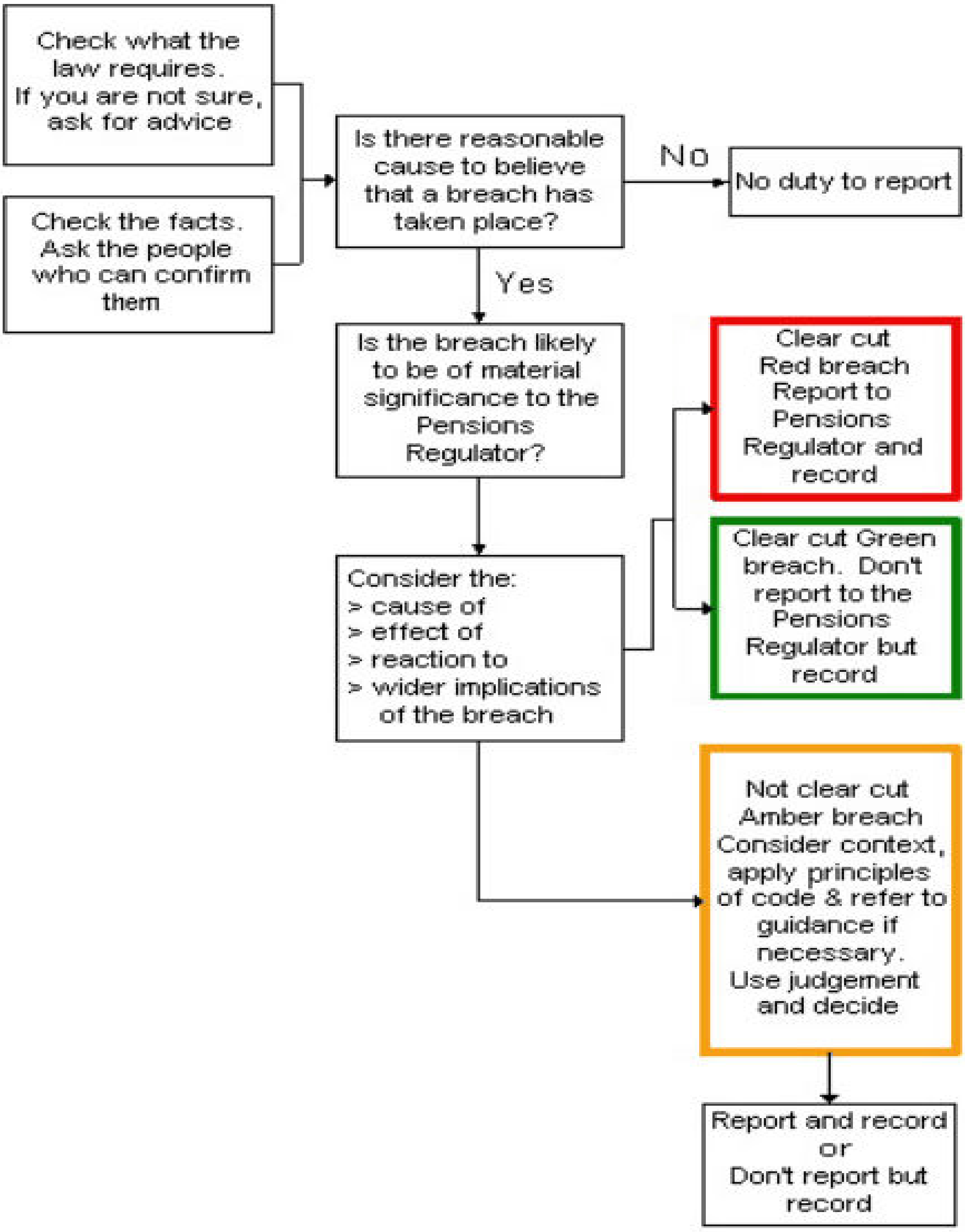
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 **Referral to a level of seniority for a decision to be made on whether to report**
Lincolnshire County Council has a designated Monitoring Officer to ensure the County Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable

cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the County Finance Officer or the Executive Director of Finance and Public Protection at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 **Dealing with complex cases**

The County Finance Officer or the Executive Director of Finance and Public Protection may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. **Timescales for reporting**

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 **Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 **Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Lincolnshire County Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the County Finance Officer or the Executive Director of Finance and Public Protection. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Lincolnshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Lincolnshire County Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10051252); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 **Confidentiality**
If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pensions Committee and Pension Board**
A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**
This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate by the County Finance Officer or the Executive Director of Finance and Public Protection. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Jo Ray - Pension Fund Manager
Email: jo.ray@lincolnshire.gov.uk
Telephone: 01522 553656
Lincolnshire Pension Fund, Lincolnshire County Council, Newland, Lincoln,
LN1 1YL

Designated officer contact details:
1) County Finance Officer – David Forbes
Email: david.forbes@lincolnshire.gov.uk

Telephone: 01522 553642

2) Executive Director of Finance and Public Protection – Pete Moore
Email: pete.moore@lincolnshire.gov.uk
Telephone: 01522 553602

3) Monitoring Officer – Richard Wills
Email: richard.wills@lincolnshire.gov.uk
Telephone: 01522 553000

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

RED

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members’ benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

AMBER

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members’ benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

GREEN

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member’s benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

Lincolnshire COUNTY COUNCIL
Working for a better future

:
Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**TPR's Code of Practice**

Summary:

This paper presents a checklist for the Pensions Regulator's (TPR) Code of Practice, and highlights how the Lincolnshire Pension Fund meets the requirements.

Recommendation(s):

That the Committee consider the checklist and agree any actions arising.

Background

1. From 1st April 2015, all public sector pension schemes are regulated by The Pensions Regulator (TPR). To understand the Regulator's requirements, TPR produced a Code of Practice no.14, published in January 2015 (attached at appendix B). This Code outlines how to approach the administration and governance of a public service scheme.

2. Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account.

3. The code is structured as a reference for scheme managers (the administering authority) and pension boards to use to inform their actions in four core areas of scheme governance and administration: governing your scheme, managing risks, administration and resolving issues.

4. Each core section includes practical guidance to help scheme managers and pension boards to discharge their legal duties. The regulator recognises that there may be alternative and justifiable actions or approaches that

scheme managers or pension boards may wish to adopt, provided these meet the minimum legal requirements. The language of the code identifies what is a legal requirement and what is guidance:

> **Must** – in the code the term 'must' is used where there is a legal requirement.
>
> **Should** – in the code the term 'should' is used to refer to practical guidance and the standards expected by the regulator.

5. To assist in identifying how the Lincolnshire Pension Fund measures against the Code of Practice, a checklist has been drawn up and is attached at Appendix A. The Pension Board considered the checklist at their October meeting, and it has now been brought to the Committee for their consideration.

6. The summary dashboard on p3 of the checklist shows the RAG rating for each of the TPR's requirements. As can be seen there are three areas where the rating is red. These are:

    a. G8 – **Maintaining contributions** - Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period? *Existing spreadsheets in place identify late payment. However, current process does not consider significance of failures and whether they should be reported. Part of current review to develop process.*

    b. I8 – **IDRP** - Does the Administering Authority regularly assess the effectiveness of its arrangements? *Not currently reported to PC. WYPF asked to include IDRP update in quarterly report.*

    c. I9 – **IDRP** - Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process? *Not currently reported to PC. WYPF asked to include IDRP update in quarterly report.*

Conclusion

7. The Lincolnshire Pension Fund now falls under the regulation of the Pension's Regulator, and must look to comply with the TPR's Code of Practice no. 14, for public service pension schemes. The checklist attached assists the Scheme Manager Board in understanding the requirements of the Code and identifying how the Lincolnshire Pension Fund meets those requirements.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Code of Practice Checklist
Appendix B	TPR Code of Practice no.14

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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The Pension Regulator’s and Scheme Advisory Board Compliance Checklist

Date of Completion - _________

Contents

Introduction

This document outlines how Lincolnshire County Council (LCC) complies with the Pensions Regulator’s (TPR) Code of Practice No 14 Governance and administration of public service pension schemes ('the TPR Code') in relation to the management of the Lincolnshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS). It will be updated regularly by officers of the Fund and reported annually to the Pensions Committee and Pension Board.

This document highlights all the key elements of the TPR Code and then evidences whether LCC meets these areas of best practice. As part of this evidence it shows when the element was last checked and whether, at that point, it was considered fully, partially or not compliant. Where they are partially or not compliant, it also highlights whether the Council have identified actions to be carried out to improve their current practices. Where an element is not yet active, the commentary will generally still highlight where advanced progress is being made.
Those reading this document should be mindful that the TPR Code applies equally to all public service pension schemes and therefore it is generic in nature. There may be a number of elements that are more specifically stipulated within LGPS legislation and it is not the purpose of this compliance checklist to consider that level of detail. Further, LCC may also incorporate key elements of national guidance from the LGPS Scheme Advisory Board into this compliance checklist. This version contains the checklists included as part of the Shadow Scheme Advisory Boards “Guidance on the creation and operation of Local Pension Boards in England and Wales”.

Key

Frequency of review and last review date: Where a process, policy or practice is officially reviewed at a set interval, the actual interval will be shown as well as the last interval date. However, in many circumstances processes and procedures are ongoing and part of the day-to-day operation of the Fund. In these circumstances, an annual check will be carried out to ensure that the ongoing process meets the TPR Code expectations and therefore the date shown will be the date that annual check was carried out and the frequency will be shown as "ongoing (annual check)".

Completed:	Compliant:	Where the responsibility relates to employers:
Fully completed	Fully compliant	Employer – Fully compliant
In progress	Partially compliant	Employer – Partially compliant
Not started	Non-compliant	Employer – Non-compliant
Not yet relevant	Not yet relevant	Not yet relevant

Definitions:

PSPA13	Public Service Pensions Act 2013
LGPS	Local Government Pension Scheme
TPR	The Pensions Regulator
TPR Code	The Pensions Regulator's Code of Practice No 14 Governance and administration of public service pension schemes
Scheme Manager	For the Lincolnshire Pension Fund, this is Lincolnshire County Council.
Administering Authority	The LGPS specific term for Scheme Manager. For the Lincolnshire Pension Fund, this is Lincolnshire County Council.
IDRP	Internal Dispute Resolution Procedure
SAB	The national LGPS Scheme Advisory Board
PC	Pensions Committee
PB	Pension Board

Summary Results Dashboard

No	Completed	Compliant
	Reporting Duties	
A1		
A2		
A3		
A4		
	Knowledge & Understanding	
B1		
B2		
B3		
B4		
B5		
B6		
B7		
B8		
B9		
B10		
B11		
B12		
	Conflicts of Interest	
C1		
C2		
C3		

No	Completed	Compliant
C4		
C5		
C6		
C7		
C8		
C9		
C10		
C11		
	Publishing Scheme Information	
D1		
D2		
D3		
D4		
	Risk and Internal Controls	
E1		
E2		
E3		
E4		
E5		
E6		
E7		
E8		

No	Completed	Compliant
	Maintaining Accurate Member Data	
F1		
F2		
F3		
F4		
F5		
F6		
F7		
F8		
F9		
F10		
F11		
	Maintaining Contributions	
G1		
G2		
G3		
G4		
G5		
G6		
G7		
G8		
G9		

No	Completed	Compliant
	Providing Information to Members and Others	
H1		
H2		
H3		
H4		
H5		
H6		
H7		
H8		
H9		
H10		
H11		
H12		
H13		
	Internal Dispute Resolution	
I1		
I2		
I3		
I4		
I5		
I6		
I7		

No	Completed	Compliant
I8		
I9		
	Reporting Breaches	
J1		
J2		
J3		
	Scheme Advisory Board Requirements	
K1		
K2		
K3		
K4		
K5		
K6		
K7		
K8		
K9		
K10		
K11		
K12		
K13		
K14		
K15		

A- Reporting Duties

Note the requirements in this section are not included in the TPR Code but they are a fundamental to the relationship with TPR.

Legal Requirements

All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details.

Note the requirements in this section are not included in the TPR Code but are a requirement for all schemes.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
A1	Is your scheme registered with the Pension Regulator?	Will be reassessed annually to ensure new registration is not required.	Annual	Aug 15			New registration will only be required if a new LGPS is created that is deemed to be a separate scheme.	
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	Intention will be to update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)				Will commence when log in facility is made available to the public sector schemes.	
A3	Have you completed this latest Scheme Return in the required timescale?	Response submitted to TPR on 13/12/12 by JR	As and when received	Aug 15			No return requests received since Dec 2012.	
A4	Have you responded to the latest TPR public service pension scheme survey /questionnaire?	Intention is to respond to any such survey that is received, including on a voluntary basis.	As and when received	Aug 15			Last survey responded to 23/7/15.	

B - Knowledge and Understanding

Legal Requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Pension Fund Training Policy in place and Pension Board knowledge and understanding policy.	Annually	July 15				
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	Responsibility is with the County Finance Officer.	Ongoing (annual check)	July 15				
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	Dedicated induction training provided. Also all new members will be provided with key documents. PB members will be invited to go to the training for Pension Committee, in addition to carrying out additional ad - hoc training as other needs arise.	Ongoing (annual check)	July 15				
B4	Are the roles and responsibilities of pension boards and	In PB Terms of Reference and on website.	Ongoing (annual check)	July 15				

	members of pension board clearly set out in scheme documentation?							
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	Articulated in Training Policy and part of Induction Training. All members to be provided with copy of Training Policy and reminded of Policy on an annual basis.	Ongoing (annual check)	July 15				
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	Part of induction training. Ongoing training part of normal Committee business (which PB members will be given access to).	Ongoing (annual check)	July 2015				
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	Covered in induction training.	Ongoing (annual check)	July 2015				
B8	Are all pension board members investing sufficient time in their learning and development?	Training plans will be agreed each July going forwards. Initial training areas will be identified at Oct 15 meeting. Members maintaining individual training logs. Monitoring of attendance at training is undertaken and recorded annually in governance update in annual report and accounts.	Ongoing (annual check)	Oct 15				
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Induction process in Training Policy including providing information on key documents.	Ongoing (annual check)	July 15				
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	An annual Training Plan will be developed from next year. Annual self-assessment will be carried out for PB going forward.	Ongoing (annual check)	July 15			In August Cipfa released a Framework for PB members which was emailed to PB on 6/8/15. To include in the annual training plan.	

B11	Are records of learning activities being maintained?	This is included in the annual report and accounts at PC level and will include PB going forwards. Individuals are also required to keep their own records.	Ongoing (annual check)	July 15				
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager.	Ongoing (annual check)	July 15			All PB and PC members requested to complete it.	

C - Conflicts of interest

Legal Requirements

The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest.

In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.

Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	PC falls under LCC Conflict Policy. PB has in place with appropriate objectives and measurements in place which includes procedures to identify, monitor and manage potential conflicts of interest.	Annual	July 2015				Take to the PC in January to adapt as Fund policy.
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	PB members must complete a declaration which requires them to sign that they understand the requirements. Declarations must be completed by all PB members and reaffirmed annually. In addition, opportunity for new declarations is provided at the start of each meeting. Conflicts policy adopted at	Annual	July 2015				

		first PB meeting.						
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	Policy requires each PB member to complete a declaration on appointment and annually. The register is reviewed annually to ensure conflicts are being registered at the earliest opportunity.	Annual	July 2015			Not all received back yet.	
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	The Policy and procedures and the declarations require PB members to highlight potential, as well as actual, conflicts. The procedure requires declaration annually and at each meeting (if not already declared). The County Finance Officer has responsibility for ensuring the procedure is followed.	Ongoing (annual check)	July 2015				
C5	Is the conflicts policy regularly reviewed?	Every three years or earlier if considered appropriate.	Triennially	July 2015			Suggested timeframe.	
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	There is a register of interests which is updated on an ongoing basis based on information in individual declarations and provided to the Chair prior to each meeting. The information is available on request. All declarations made at meetings will be recorded in the minutes which are public.	Ongoing	July 2015				
C7	Is appropriate information included in the register?	Register of interests updated on an ongoing	Ongoing (annual	July 2015				

Page 95

		basis but this will be reviewed annually to ensure it is being used correctly. Register includes all this information and is included as an appendix to the Conflicts policy.	check)					
C8	Is there a standing item on the agenda for declaring conflicts of interest?	Part of standard PC and PB meeting agenda.	Ongoing	July 2015				
C9	Do those involved know how to report a conflict of interest?	Members provided with copy of Conflicts Policy annually. Also Policy referred to at start of each meeting.	Ongoing (annual check)	July 2015				
C10	Is the number of employer and member representatives on the board in line with legal requirements?	Outlined in the terms of reference.	Ongoing (annual check)	July 2015				
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	Covered as part of appointment process and then reviewed annually to ensure this continues.	Ongoing (annual check)	July 2015				

D - Publishing information about schemes

Legal Requirements

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.

The information must include:
- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
D1	Does the Administering Authority publish information about the pension board?	See - http://www.wypf.org.uk/Member/PensionBoard/Lincoln/PensionBoard_Lincoln_Index.aspx	Ongoing	July 2015				
D2	Does the Administering Authority publish other useful related information about the pension board?	See - http://www.wypf.org.uk/Member/PensionBoard/Lincoln/PensionBoard_Lincoln_Index.aspx Already has appointment process, terms of reference and roles and responsibilities. Links to minutes, agenda etc.	Ongoing	July 2015				
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing	July 2015				
D4	Does the Administering Authority public information about pension board business?	All pension board meetings are public meetings and information will be contained on the LCC website.	Ongoing	July 2015				

E - Managing risk and internal controls

Legal Requirements

The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law.

Internal controls are defined in the legislation as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme

The legal requirements apply equally where a scheme outsources services connected with the running of the scheme.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
E1	Is there an agreed process for identifying and recording scheme risks?	The Council has a risk management policy. The Fund has a risk register which is reported quarterly and reviewed annually at PC.	Ongoing (annual review)	July 2015				
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	The risk management process includes how risks are to be evaluated and internal controls established. It makes use of a RAG status based on impact and likelihood and the associated control is then shown as part of the risk register.	Ongoing	July 2015				
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Risk register is in place which includes all internal controls and action taken.	Ongoing (annual review)	July 2015				
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the	Our risk management and internal controls are continually reviewed for effectiveness as part of a number of processes	Annually	July 2015				

	Fund?	including: • The ongoing updating of the risk register which includes the control of those risks • Issues identified through regular monitoring reports such as performance monitoring for PC, IDRP updates, reports from WYPF and breaches notifications. • Regular internal and external audit reports. • Annual internal control reports from custodian and fund managers. • Annual update of TPR Code compliance checklist. • Periodic ad-hoc reviews (e.g. LGPS2014 audit).						
E5	Does the Administering Authority regularly review the risk register?	Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including: • annual review at pensions committee • performance measurement against agreed objectives • quarterly update in PC report • findings of internal and external audit and other adviser reports • feedback from the local Pension Board, employers and other stakeholders • informal meetings of senior officers or other staff involved in the management of the Fund • liaison with other organisations, regional and	Quarterly update and Annual review	July 2015				

		national associations, professional groups, etc.						
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	It is a standing item on the Pensions Committee each July and, as a matter of course, is then shared with the Pension Board.	Annually	July 2015				
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented?	It is considered that there are adequate internal controls in place. These are articulated in the risk register and reviewed by both internal and external audit regularly.	Annually	July 2015				
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	The key outsourced services for this purpose are JPMorgan (custodian) and Fund managers. These providers are required to provide annual internal control reports and a control sheet is used to ensure they are received and reviewed. In addition, PC receives quarterly reports from the shared service with WYPF, and a collaboration board exists to monitor the service.	Annually	May 2015				

F - Maintaining accurate member data

Legal Requirements

Scheme managers must keep records of information relating to:

- member information
- transactions, and
- pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

The Data Protection Act 1998 and the data protection principles set out additional requirements for using, holding and handling personal information. Other requirements are set out in the:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)
- Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No 94)
- Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	Scheme member records are maintained by WYPF. Therefore much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. As part of the transition to WYPF, they are carrying out work to assess the accuracy and completeness of LCC's records and reporting back.	Annually (WYPF) or if change provider. Part of actuarial valuation (triennial)	Ongoing at the moment			WYPF have the ISO 9001:2008 quality standard and are audited annually to ensure they are still compliant.	

		Data accuracy and completeness reports are also received via the triennial valuation, which cover some of these elements.						
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	The Pension Administration Strategy includes a list of all employer responsibilities and duties including timescales. All employers are offered training. WYPF has a portal for provision of information, with standard forms and a monthly returns/spreadsheet with explanatory notes. This includes contributions, changes of address, change of hours, change of salary, date of joining, date of leaving etc.	PAS under regular review by WYPF.	April 2015			WYPF have the ISO 9001:2008 quality standard and are audited annually to ensure they are still compliant.	
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	All info recorded on scheme records. PF bank account flows across to the LCC PF general ledger and all feeds into annual report and accounts. There are also some spreadsheets that are used for further checks (contribution monitoring). There is an annual reconciliation to ensure all contributions are received and coded correctly as part of the year end process.	Ongoing	April 2015				
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	Full minutes are maintained and published on the LCC website and linked from WYPF website. Annual check to ensure this continues to be the case.	Ongoing	July 2015				
F5	Are records kept of decisions made by the	We do not expect there to be decisions outside of the	Ongoing	July 2015				

	pension board, outside of meetings as required by the Record Keeping Regulations?	PB. This will be monitored.						
F6	Are records retained for as long as they are needed?	LCC consider it necessary to retain records for as long as is possible due to the number of enquiries from employees relating to periods many decades ago. Accordingly personal records are maintained in addition to other data such as contributions and pensions increases reports.	Ongoing	April 2015				
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	There are a number of separate processes in place to monitor data on an ongoing including: • monthly returns provide a further opportunity to highlight any data discrepancies • All data entry is checked for input accuracy • Various tolerance checks such as changes in pay • Processes if pensioner payslips are returned (including suspension of pension on second return), using only BACs payments for pensioners and life certificate exercises (overseas and over a certain age annually and then all cases every 2 or 3 years) and national fraud initiative every 2 years. • Triennial valuation highlights data issues. • Process exists for warning and charging levies to	Ongoing	April 2015				

		employers if incomplete monthly data is provided or if provided late • checks on ‘common’ data						
F8	Does the Administering Authority carry out a data review at least annually?	Annual year end reconciliations as described above plus for annual report and accounts, pension increases and benefit statements. Monthly returns from employers verify data. WYPF carry out additional data reviews.	Ongoing	April 2015				WYPF to be asked to complete Conditional data review and ongoing programme of reporting to be developed for it and common data, once all transition data cleaned.
F9	Is a data improvement plan in place which is being monitored with a defined end date?	Bi-monthly meeting held between LCC and WYPF where improvement plan is discussed and actions/timescales agreed. Employers are charged an administration fee where they fail to meet standards.	Ongoing	April 2015				
F10	Are processes and policies in place to reconcile scheme data with employer data?	Monthly data remittance through the portal assists with reconciling data. Interfaces being developed for main employers to provide final checks.	Ongoing	April 2015				
F11	Do the Administering Authority’s member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	Ensure all those involved with data understand the DPA: • Part of induction at WYPF • LCC staff periodic training • DPA officer at both Bradford and LCC • Council data protection policy in place and guidance on intranet. Evidence of processes includes: • Secure email or portal is used for data transfer with all employers, WYPF and LCC	Ongoing	April 2015				

		• Focalpoint used for data transfer with actuary.						

G - Maintaining contributions

Legal requirements

Contributions must be paid as detailed below, and where not done, they should be reported to TPR in circumstances where the scheme manager has reasonable cause to believe that the failure is likely to be of **material significance** to TPR in the exercise of any of its functions. Reporting must be carried out as detailed below.

Contribution Type	**Contributions must be paid**	**When a failure should be reported**
Employer	On or before the due date as defined by the scheme regulations – 19th of the month following deduction for LGPS	To The Regulator: As soon as reasonably practicable
Employee	On or before the due date as defined by the scheme regulations – 19th of the month following deduction for LGPS	To The Regulator: Within a reasonable period – 10 working days

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
G1	Does the Fund have procedures and processes in place to identify payment failures?	There is a master spreadsheet where all contributions received are entered and monitored within the LCC team.	Ongoing	April 2015				
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	The monitoring highlights where a payment is not received by 19th each month, and prior months sensibility checks are carried out. The WYPF portal also carries out checks on data received and returns incorrect submissions to the employer.	Ongoing	April 2015			WYPF currently developing comparing contribution rate to pensionable pay.	
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	The process includes reconciliation with the payment received, the data input through the portal and shown in the financial system.	Ongoing	April 2015				

G4	Are these procedures regularly reviewed to ensure they are effective?	Payments are generally always on time. Bi-monthly meeting between WYPF and LCC to consider any concerns. Late payers referred to Pension Fund Manager for intervention when required.	Ongoing	April 2015			System currently being reviewed following transition to WYPF, move to Agresso and insourcing of contribution monitoring.	
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	For main scheme contributions, monitoring spreadsheet maintained by LCC. Identification and escalation process, currently under review. Prudential automatically notify the scheme manager if any AVC payments are received late from employers.	Ongoing	April 2015			System currently being reviewed following transition to WYPF, move to Agresso and insourcing of contribution monitoring.	
G6	Does the Fund maintain a record of any investigations and communications with employers?	Information is collated in individual records relating to each employer. Information is available on the historic monitoring spreadsheets. WYPF's system stores email and letter communications with employers	Ongoing	April 2015				
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	Current ongoing issues with some employers not providing sufficient information, following changes to service providers, systems and processes. This has been escalated to the Council. Year-end returns have been received from the majority of employers to verify the information, and queries responded to, to enable reconciliation of member contributions with	Ongoing	April 2015			Current year end returns outstanding from LCC and academies managed by Serco.	

		service.						
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	Existing spreadsheets in place identify late payment. However, current process does not consider significance of failures and whether they should be reported.	Ongoing	April 2015			Part of current review to develop process.	
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	Yes, for main scheme (administered by WYPF), spreadsheet maintained by LCC and data shared from WYPF when employers complete the monthly process through the portal. Discussed as part of bi-monthly service review meeting. In relation to AVC's (administered by Prudential), all late payments are notified directly to LCC.	Ongoing	April 2015				

H - Providing information to members and others

Legal requirements

The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. This includes requirements relating to benefit statements and certain other information which must be provided under the requirements of the 2013 Act, HM Treasury directions and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Sent annually. Regs changed for March 2015 requiring them to be issued by 31st August 2015. All members are sent out unless there is no address to send to.	Annual	Aug 2015		Employer	37% of Statements as at 31st August 2015 were issued. LCC not provided year end data so unable to issue majority of statements. Move to CARE has caused an issue for numerous Funds, and able to use new regs as reason not to report this year – advice from LGA.	Escalated with LCC, part of overall transition to Serco issues.
H2	Do these meet the legal requirements in relation to format?		Annual	Aug 2015				
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	Benefit statements are issued automatically to all active and deferred members annually, which is more proactive than this provision (which just relates to issuing them on request).	Annual	Aug 2015		Employer	Only able to provide those where year-end data had been received.	
H4	Does this meet the legal requirements in relation to format?							
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	Provided by Prudential directly.						

H6	Do these meet the legal requirements in relation to format?	Provided by Prudential directly.						
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	New starter information is issued by WYPF, **when they have been notified by employers**. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme.				Employer	Issue with LCC currently due to Serco not sending information to WYPF.	Escalated to LCC Check with WYPF agreed response time from notification.
H8	Does this meet the legal requirements in relation to format?							
H9	Is all other information provided in accordance with the legal timescales?							
H10	Is all other information provided in the format and methods required by law?							
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?							
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	Communications strategy approved by PC. WYPF have marketing and comms manager to ensure quality of comms.	Ongoing	April 2015				
H13	Does the Administering Authority use a tracing service?	WYPF use a number of channels to find pensioner and deferred members.	Ongoing	April 2015				

I - Internal Dispute Resolution

Legal requirements

The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme.

The act states that a person has an interest in the scheme if they:

- are a member or beneficiary
- are a prospective member
- have ceased to be a member, beneficiary or prospective member
- claim to be any of the above and the dispute relates to this claim.

The Act also states that the procedure must include:

- how an application is to be made
- what must be included in an application
- how decisions are to be reached and notified
- a specified period (which is reasonable) within which applications must be made.

The procedure may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	Yes – booklet outlining procedure is available on website.	Ongoing	April 2015				
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	Booklet outlining IDRP procedure includes this information.	Ongoing	April 2015				
I3	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a	Booklet outlining IDRP procedure includes this information.	Ongoing	April 2015				

	dispute to be resolved including: • who it applies to • who the specified person (stage 1) is • the timescales for making applications • who to contact with a dispute • the information that an applicant must include • the process by which decisions are reached?							
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRP in place?	Requirement has been regularly communicated to employers in the past. Part of the Admin Strategy. Part of employer training programme.	Ongoing	April 2015				
I5	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	Responses sent and WYPF forward details onto relevant employer.				employer		Need to check what monitoring WYPF do with employers.
I6	Does the Administering Authority notify and advertise the procedure appropriately?	Leaflet included on the website (which is where joining information also is). All letters concerning benefits contain reference to IDRP.	Ongoing	April 2015				
I7	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?							
I8	Does the Administering Authority regularly assess the effectiveness of its arrangements?						Not currently reported to PC.	WYPF asked to include IDRP update in quarterly report.
I9	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?						Not currently reported to PC.	Ask asked WYPF to include IDRP update in quarterly report.

Page 113

J - Reporting breaches of the law

Legal Requirements

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

The report must be made in writing as soon as reasonably practicable.

No.	TPR Requirement	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
J1	Is the Administering Authority satisfied that those responsible for reporting reaches under the legal requirements and TPR guidance understand the requirements?	Discussed and policy approved PB in July 2015. Procedure on website. Will be shared with all PC and key officers.	Annual	July 2015				To be shared with PC at January Committee.
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	Breaches procedure is in place and approved by PB.	Annual	July 2015				

J3	Are breaches being recorded in accordance with the agreed procedures?	Procedure launched July 2015 so no historical recording. The Pension Fund Manager will maintain a record of breaches and the quarterly PC update report from October 2015 will to include a comment on whether any breaches have been reported, whether they are systemic and action taken. Some details may need to be withheld for confidentiality reasons.						

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Legal Requirements

Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme.

It also provides that a person to whom advice is given by virtue of subsection (1) or (2) must have regard to the advice.

The Scheme Advisory Board has published guidance on the creation and operation of Local Pension Boards in England and Wales which incorporates a number of action point check lists at the end of some of the sections. The following are the items in those checklists.

No.	SAB Requirement	SAB Section	LCC Approach/Evidence	Frequency of Review	Last Reviewed	Completed	Compliant	Notes	Actions
K1	Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.	5	LCC full Council approved 25-3-15 PB approved 30-7-15	Annual	July 2015				
K2	The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).	5	First meeting held 30-7-15						
K3	Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	6	Approved at first meeting on 30-7-15	Annual	July 15				
K4	A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.	6	Designated to County Finance Officer.	Annual	July 2015				
K5	The Administering Authority	6	Training plan being developed						

	should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.		following October meeting. Full induction training provided to all board members. PB members invited to PC training.						
K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.	6	Discussed in induction training.						Need to bring this together
K7	Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.	6	An annual Training Plan will be developed from next year. Annual self-assessment will be carried out for PB going forward.					In August Cipfa released a Framework for PB members which was emailed to PB on 6/8/15. To include in the annual training plan.	
K8	An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.	7	Code of conduct and conflicts policy approved at first meeting on 30-7-15.	Annual	July 2015				
K9	Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.	7	Covered in first meeting on 30-7-15.						

K10	A Local Pension Board should establish and maintain a register of interests for its members.	7	There is a register of interests which is updated on an ongoing basis based on information in individual declarations and provided to the Chair prior to each meeting. The information is available on request. All declarations made at meetings will be recorded in the minutes which are public.	Ongoing	July 2015			Still awaiting some declarations to be returned.	
K11	An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.	8	Outlined in PB Terms of Reference	Ongoing	July 2015				
K12	A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.	8	Copy of Council's FOI policy will be provided to all PB members.	Ongoing	Oct 2015				Circulate FOI policy to all PB members
K13	A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.	8	Breaches procedure approved at first meeting on 30-7-15.	Ongoing	July 2015				
K14	A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.	8	A requirement outlined in PB Terms of Reference	Annual	July 2015				
K15	An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms,	8	Completed and approved at PC July 2015	Annual	July 2015				

	structure and operational procedures relating to its Local Pension Board.								

Code of practice no. 14

Governance and administration of public service pension schemes

April 2015

The Pensions Regulator

The Pensions Regulator

Code of practice no. 14

Governance and administration of public service pension schemes

Presented to Parliament pursuant to Section 91(5) of the Pensions Act 2004
Draft to lie before Parliament for forty days, during which time either House may resolve that the code be not made.

Presented to the Northern Ireland Assembly pursuant to Article 86(5) of the Pensions (Northern Ireland) Order 2005
Draft to lie before the Northern Ireland Assembly for ten days on which the Assembly has sat or thirty calendar days whichever period is the longer, during which time the Assembly may resolve that the code be not made.

12 January 2015

Code of practice no. 14
Governance and administration of public service pension schemes

Any enquiries related to this publication should be sent to us at:
customersupport@tpr.gov.uk

We can produce it in Braille, large print or on audio tape. We can also produce it in other languages.

Contents

Introduction

1. This code of practice is issued by The Pensions Regulator ('the regulator'), the body that regulates occupational and personal pension schemes provided through employers.

2. The regulator's statutory objectives[1] are to:

   - protect the benefits of pension scheme members
   - reduce the risks of calls on the Pension Protection Fund (PPF)
   - promote, and improve understanding of, the good administration of work-based pension schemes
   - maximise compliance with the duties and safeguards of the Pensions Act 2008
   - minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the regulator's functions under Part 3 of the Pensions Act 2004 only).

3. The regulator has a number of regulatory tools, including issuing codes of practice, to enable it to meet its statutory objectives.

4. Codes of practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected from those who exercise those functions[2].

Status of codes of practice

5. Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account[3].

6. If there are grounds to issue an improvement notice[4], the regulator may issue a notice directing a person to take, or refrain from taking, such steps as are specified in the notice. These directions may be worded by reference to a code of practice issued by the regulator[5].

This code of practice

7. The Public Service Pensions Act 2013 (the 2013 Act) introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator.

1
Section 5(1) of the Pensions Act 2004.

2
Section 90A(1), ibid.

3
Section 90A(5), ibid.

4
Where the regulator considers that legal requirements are not being met, or have been contravened in circumstances which make it likely that the breach will continue or be repeated, it may issue an improvement notice under s13 of the Pensions Act 2004.

5
Section 13(3) of the Pensions Act 2004.

8. The regulator is required to issue one or more codes of practice covering specific matters relating to public service pension schemes[6]. This code of practice sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

9. The practical guidance sections in this code are not intended to prescribe the process for every scenario. They do, however, provide principles, examples and benchmarks against which scheme managers and members of pension boards can consider whether or not they have understood their duties and obligations and are reasonably complying with them.

10. If scheme managers and the members of pension boards are, for any reason, unable to act in accordance with the guidance set out in this code, or an alternative approach that meets the underlying requirements, they should consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law[7]. For further information, see the section of this code on 'Reporting breaches of the law'.

At whom is this code directed?

11. This code relates to public service pension schemes within the meaning of the Pensions Act 2004[8]. These are schemes established under the 2013 Act, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It does not apply to schemes in the wider public sector, nor to any scheme which is excluded from being a public service pension scheme within the meaning of the Pensions Act 2004.

12. This code is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations. The role, responsibilities and duties of pension boards will vary. Where pension boards are not directly responsible for undertaking particular activities, they remain accountable for assisting the scheme manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters for which they are responsible under the scheme regulations[9].

6 Section 90A(2) of the Pensions Act 2004.

7 Section 70, ibid.

8 Section 318, ibid.

9 Section 5 of the Public Service Pensions Act 2013.

13. In addition, the legal requirement to report breaches of the law under section 70 of the Pensions Act 2004 applies to other persons involved in public service pension schemes, so this code is also directed at them.

14. Scheme managers and pension boards (where relevant) may be able to delegate some activities to others, or outsource them, although they will not be able to delegate their accountability for complying with a legal requirement imposed on them. This code should therefore be followed by anyone to whom activities relating to the legal requirements covered by this code have been delegated or outsourced.

15. Employers participating in public service pension schemes will also find the code a useful source of reference. The role and actions of employers can be critical in enabling scheme managers to meet certain legal requirements[10].

16. Public service pension schemes are established primarily as defined benefit (DB) schemes. Some of these schemes also enable members to make additional voluntary contributions (AVCs) on either a DB basis or to a separate defined contribution (DC) scheme. There are also some DC schemes which are offered as alternatives to the DB schemes. This code applies to any DC scheme which is a public service pension scheme within the meaning of the Pensions Act 2004.

Terms used in this code

17. **The 2013 Act** – the Public Service Pensions Act 2013, which sets out the arrangements for the creation of schemes for the payment of pensions and other benefits. It provides powers to ministers to create such schemes according to a common framework of requirements.

18. **Public service pension schemes**[11] – these are (a) new public service pension schemes set up under section 1 of the 2013 Act (including any scheme which has effect as such a scheme[12]); (b) new public body pension schemes (within the meaning of the 2013 Act) and (c) any statutory pension schemes connected with a scheme described in (a) or (b). Substantially, these are the schemes providing pension benefits for civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers, members of police forces and the armed forces. Except where specified otherwise, the legal requirements and practical guidance set out in this code apply to any kind of public service pension scheme within the meaning of the Pensions Act 2004, whether it is a scheme established under section 1 of the 2013 Act, a new public body scheme or a connected scheme.

10
Employers participating in occupational public service pension schemes are under a statutory duty to report breaches of the law under s70 of the Pensions Act 2004.

11
As defined in s318 of the Pensions Act 2004. Under s318(6) of that Act, a scheme which would otherwise fall within the definition of 'public service pension scheme' in the Pensions Act 2004 does not do so if it is a scheme providing only for injury or compensation benefits (or both), or if it is specified in an order made under that section.

12
Section 28 of the 2013 Act.

19. **Connected scheme** – a scheme established under section 1 of the 2013 Act and another statutory pension scheme, or a new public body pension scheme and another statutory pension scheme are connected if and to the extent that the schemes make provision in relation to persons of the same description. Scheme regulations may specify exceptions[13].

20. **Responsible authority** – the 2013 Act identifies secretaries of state/ministers, each being the responsible authority for their schemes, who have power to make the scheme regulations for the relevant schemes[14]. The responsible authority may also be the scheme manager[15]. In relation to a public body pension scheme, references in the code to the responsible authority are to be read as references to the public authority which established the scheme.

21. **Scheme regulations** – each new scheme made under section 1 of the 2013 Act has scheme regulations which set out the detail of the membership and benefits to be provided under the scheme[16]. The regulations must identify scheme managers and provide for the establishment of pension boards and scheme advisory boards. These regulations constitute the main rules of the scheme. In addition to the scheme regulations, the rules of a scheme include:

    - certain legislative provisions, to the extent that they override provisions of the scheme regulations, or which have effect in relation to a scheme and are not otherwise reflected in the scheme regulations, and
    - any provision which the scheme regulations do not contain but which the scheme rules must contain if it is to conform with the requirements of Chapter 1 of Part 4 of the Pension Schemes Act 1993 (preservation of benefit under occupational pension schemes)[17].

    Some connected schemes and new public body pension schemes will not be established by regulations, so references in the code to scheme regulations should be read as references to the rules of the scheme in these cases.

22. **Scheme manager** – each public service pension scheme has one or more persons responsible for managing or administering the scheme[18]. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes[19], the scheme managers may be the local administering authorities or a person representing an authority or police force.

13
Section 4(6) and (7) of the 2013 Act.

14
Section 2 and Schedule 2, ibid.

15
Section 4(3), ibid.

16
Section 3 and Schedule 3, ibid.

17
Section 318(2) of the Pensions Act 2004.

18
Section 4 and s30 of the 2013 Act.

19
Locally administered schemes include the schemes for England, and Wales, and Scotland for local government workers, and England and Wales for fire and rescue workers and members of police forces.

23. **Pension board** – the scheme manager (or each scheme manager) for a scheme has a pension board[20] with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board's role, responsibilities and duties entail.

24. **Scheme advisory board** – each DB public service pension scheme has a scheme advisory board[21] with responsibility for providing advice on the desirability of changes to the scheme, when requested to do so by the responsible authority (or otherwise, in accordance with scheme regulations). Where there is more than one scheme manager the scheme regulations may also provide for the scheme advisory board to provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards on the effective and efficient administration and management of the scheme or any pension fund of the scheme.

25. **Schemes** – in this code the term 'schemes' is used throughout where actions to comply with a legal requirement, standard or expectation may be carried out by the scheme manager, pension board or by another person(s) including those to whom activities have been delegated or outsourced. The scheme manager or pension board will be ultimately accountable, depending upon to whom the legal obligation applies under the legislation.

26. **Must** – in this code the term 'must' is used where there is a legal requirement.

27. **Should** – in this code the term 'should' is used to refer to practical guidance and the standards expected by the regulator.

How to use this code

28. The code is structured as a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration: governing your scheme, managing risks, administration and resolving issues.

29. Each core section includes practical guidance to help scheme managers and pension boards to discharge their legal duties. The regulator recognises that there may be alternative and justifiable actions or approaches that scheme managers or pension boards may wish to adopt, provided these meet the minimum legal requirements.

30. Schemes will need to consider and apply the practical guidance to suit their own particular characteristics and arrangements.

20
Section 5 and s30(1) of the 2013 Act (in the case of new public body schemes, if the scheme has more than one member).

21
Section 7, ibid. This requirement only applies to schemes set up under s1 of the 2013 Act.

Northern Ireland

31. References to the law that applies in Great Britain should be taken to include corresponding legislation in Northern Ireland. References to HM Treasury directions should be taken to be directions by the Department of Finance and Personnel. The responsible authority for each scheme is the relevant government department[22].

32. The appendix to this code lists the corresponding references to Northern Ireland legislation.

22 Section 2 and Schedule 2 of the Public Service Pensions Act (Northern Ireland) 2014.

Governing your scheme

33. This part of the code covers:

- knowledge and understanding required by pension board members
- conflicts of interest and representation, and
- publishing information about schemes.

Knowledge and understanding required by pension board members

Legal requirements

34. A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme[23], and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

35. A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

36. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board[24].

Practical guidance

37. The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations.

38. Schemes[25] should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.

39. However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

23
See paragraph 21 for the definition of the 'rules of the scheme'.

24
Section 248A of the Pensions Act 2004.

25
See paragraph 25 for the definition of 'schemes'.

Areas of knowledge and understanding required

40. Pension board members must be conversant with their scheme rules, which are primarily found in the scheme regulations[26], and documented administration policies currently in force for their pension scheme[27]. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.

41. They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

42. In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable[28]. This list is not exhaustive and other documented policies may fall into this category:

    - any scheme-approved policies relating to:
        - conflicts of interest and the register of interests
        - record-keeping
        - internal dispute resolution
        - reporting breaches
        - maintaining contributions to the scheme
        - the appointment of pension board members
    - risk assessments/management and risk register policies for the scheme
    - scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
    - the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
    - terms of reference, structure and operational policies of the pension board and/or any sub-committee
    - statements of policy about the exercise of discretionary functions

26
See paragraph 21 for the definition of the 'rules of the scheme'.

27
Section 248A(2) of the Pensions Act 2004.

28
Section 248A(2)(b) of the Pensions Act 2004.

- statements of policy about communications with members and scheme employers
- the pension administration strategy, or equivalent[29], and
- any admission body (or equivalent) policies.

43. For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement[30].

44. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

    - the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme
    - statements of assurance (for example, assurance reports from administrators)
    - third party contracts and service level agreements
    - stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues
    - scheme annual reports and accounts
    - accounting requirements relevant to the scheme
    - audit reports, including from outsourced service providers, and
    - other scheme-specific governance documents.

45. Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.

46. Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.

29
For the local government pension schemes, this might include information about the setting of performance targets or making agreements about levels of performance.

30
Section 248A(2)(b) of the Pensions Act 2004.

Degree of knowledge and understanding required

47. The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations[31]. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.

48. Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.

49. Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.

50. Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.

51. Pension board members should be able to identify and where relevant challenge any failure to comply with:

    - the scheme regulations
    - other legislation relating to the governance and administration of the scheme
    - any requirements imposed by the regulator, or
    - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.

52. Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.

31 Section 5(2) of the 2013 Act.

53. Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.

54. All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.

Acquiring, reviewing and updating knowledge and understanding

55. Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.

56. Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law. Schemes should offer pre-appointment training or arrange for mentoring by existing pension board members. This can also ensure that historical and scheme-specific knowledge is retained when pension board members change.

57. Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.

58. Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.

59. The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:

- cover the type and degree of knowledge and understanding required
- reflect the legal requirements, and
- are delivered within an appropriate timescale.

Demonstrating knowledge and understanding

60. Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.

Conflicts of interest and representation

Legal requirements

61. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established[32].

62. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest[33].

32
Section 5(5) of the 2013 Act defines a conflict of interest in relation to pension board members and s7(5) of that Act in relation to scheme advisory board members.

33
Section 5(4)(a), ibid.

63. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above[34].

64. Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers[35].

65. In relation to the scheme advisory board, the regulations must also include provision requiring the responsible authority to be satisfied:

- that a person to be appointed as a member of the scheme advisory board does not have a conflict of interest and
- from time to time, that none of the members of the scheme advisory board has a conflict of interest[36].

66. Scheme regulations must require each member of a scheme advisory board to provide the responsible authority with such information as the responsible authority reasonably requires for the purposes of meeting the requirements referred to above[37].

Practical guidance

67. This guidance is to help scheme managers to meet the legal requirement to be satisfied that pension board members do not have any conflicts of interest. The same requirements apply to responsible authorities in relation to scheme advisory boards, (apart from the requirement regarding employer and member representatives), but the regulator does not have specific responsibility for oversight of scheme advisory boards.

68. Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed.

69. A conflict of interest may arise when pension board members:

- must fulfil their statutory role[38] of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst
- having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

34 Section 5(4)(b) of the 2013 Act.

35 Section 5(4)(c), ibid.

36 Section 7(4)(a), ibid.

37 Section 7(4)(b), ibid.

38 Section 5(2), ibid.

70. Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles')[39] will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These principles should be applied to all pension board members in the exercise of their functions as they require the highest standards of conduct. Schemes should incorporate the principles into any codes of conduct (and across their policies and processes) and other internal standards for pension boards.

71. Other legal requirements relating to conflicts of interest may apply to pension board members and/or scheme advisory board members[40]. The regulator may not have specific responsibility for enforcing all such legal requirements, but it does have a particular role in relation to pension board members and conflicts of interest. While pension board members may be subject to other legal requirements, when exercising functions as a member of a pension board they must meet the specific requirements of the 2013 Act and are expected to satisfy the standards of conduct and practice set out in this code.

72. It is likely that some pension board members will have dual interests, which may include other responsibilities. Scheme managers and pension board members will need to consider all other interests, financial or otherwise, when considering interests which may give rise to a potential or actual conflict. For example, a finance officer appointed as a pension board member can offer their knowledge and make substantial contributions to the operational effectiveness of the scheme, but from time to time they may be involved in a decision or matter which may be, or appear to be, in opposition to another interest. For instance, the pension board may be required to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, while the finance officer is at the same time tasked, by virtue of their employment, with reducing departmental spending. A finance officer might not be prevented from being a member of a pension board, but the scheme manager must be satisfied that their dual interests are not likely to prejudice the pension board member in the exercise of any particular function.

39
The Committee on Standards in Public Life has set out seven principles of public life which apply to anyone who works as a public office holder or in other sectors delivering public services: **www.gov.uk/government/publications/the-7-principles-of-public-life**.

40
For example, local government legislation applicable to English local authorities contains legal requirements relating to certain people about standards of conduct, conflicts of interest and disclosure of certain interests.

73. Scheme regulations will set out matters for which the pension board is responsible[41]. Schemes[42] should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This should cover, for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.

74. Schemes should consider potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.

A three-stage approach to managing potential conflicts of interest

75. Conflicts of interest can inhibit open discussions and result in decisions, actions or inactions which could lead to ineffective governance and administration of the scheme. They may result in pension boards acting improperly, or lead to a perception that they have acted improperly. It is therefore essential that any interests, which have the potential to become conflicts of interest or be perceived as conflicts of interest, are identified and that potential conflicts of interest (including perceived conflicts) are monitored and managed effectively.

76. Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.

41
Section 5(2) of the 2013 Act.

42
See paragraph 25 for the definition of 'schemes'.

77. Broadly, schemes should consider potential conflicts of interest in three stages:
    - identifying
    - monitoring, and
    - managing.

Identifying potential conflicts

78. Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.

79. Pension board members, and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest[43].

80. Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.

81. All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.

82. Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.

43
Section 5(4)(b) of the 2013 Act and scheme regulations.

Monitoring potential conflicts

83. As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.

84. A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.

85. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising.

Managing potential conflicts

86. Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.

87. A perceived conflict of interest can be as damaging to the reputation of a scheme as an actual conflict of interest. It could result in scheme members and interested parties losing confidence in the way a scheme is governed and administered. Schemes should be open and transparent about the way they manage potential conflicts of interest.

88. When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the pension board, schemes should consider obtaining professional legal advice when assessing any option.

Examples of conflicts of interest

89. Below are some examples of potential or actual conflicts of interest which could arise, or be perceived to arise, in relation to public service pension schemes. These will depend on the precise role, responsibilities and duties of a pension board. The examples provided are for illustrative purposes only and are not exhaustive. They should not be relied upon as a substitute for the exercise of judgement based on the principles set out in this code and any legal advice considered appropriate, on a case-by-case basis.

a. Investing to improve scheme administration versus saving money
An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

b. Outsourcing an activity versus keeping an activity in-house
In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

c. Representing the breadth of employers or membership versus representing narrow interests
An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.

d. Assisting the scheme manager versus furthering personal interests

i. A pension board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services

ii. A pension board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

e) Sharing information with the pension board versus a duty of confidentiality to an employer
An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the pension board. They have to consider whether to share this information with the pension board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the pension board.

Representation on pension boards

90. While scheme regulations must require pension boards to have an equal number of employer and member representatives[44], there is flexibility to design arrangements which best suit each scheme.

91. Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.

44
Section 5(4)(c) of the 2013 Act.

Publishing information about schemes

Legal requirements

92. The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date[45].

93. The information must include:

- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility[46].

Practical guidance

Publication of pension board information

94. Scheme members will want to know that their scheme is being efficiently and effectively managed. Public service pension schemes should have a properly constituted, trained and competent pension board, which is responsible for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the regulator.

95. Scheme managers must publish the information required about the pension board and keep that information up-to-date[47]. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.

96. When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, schemes[48] should also publish useful related information about the pension board such as:

- the employment and job title (where relevant) and any other relevant position held by each board member
- the pension board appointment process
- who each pension board member represents
- the full terms of reference for the pension board, including details of how it will operate, and
- any specific roles and responsibilities of individual pension board members.

45
Section 6(1) of the 2013 Act.

46
Section 6(2), ibid.

47
Section 6(1), ibid.

48
See paragraph 25 for the definition of 'schemes'.

97. Schemes should also consider publishing information about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They should consider any requests for additional information to be published, to encourage scheme member engagement and promote a culture of transparency.

98. Scheme managers must ensure that information published about the pension board is kept up-to-date[49]. Schemes should have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.

Other legal requirements

99. Scheme managers (or any other person specified in legislation) must comply with any other legal requirements relating to the publication of information about governance and administration. In particular, HM Treasury directions may require the scheme manager or responsible authority of a public service pension scheme to publish scheme information, including information about scheme administration and governance and may specify how and when information is to be published[50].

49
Section 6(1) of the 2013 Act.

50
Section 15, ibid.

Managing risks

100. This part of the code covers the requirement for scheme managers to establish and operate adequate internal controls.

Internal controls

Legal requirements

101. The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

102. For these purposes 'internal controls' means:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management, and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme[51].

Practical guidance

103. Internal controls are systems, arrangements and procedures that are put in place to ensure that pension schemes are being run in accordance with the scheme rules (which for most public service pension schemes are set out in the scheme regulations) and other law. They should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme.

104. Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager's role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.

105. Scheme managers must establish and operate internal controls[52]. These should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They should seek advice, as necessary.

51
Section 249A(5) and s249B of the Pensions Act 2004.

52
Section 249B, ibid.

Identifying risks

106. Before implementing an internal controls framework, schemes[53] should carry out a risk assessment. They should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

107. An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, schemes should refer to relevant sources of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.

108. Once schemes have identified risks, they should record them in a risk register and review them regularly. Schemes should keep appropriate records to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.

Evaluating risks and establishing adequate internal controls

109. Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. Schemes should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.

110. Many pension schemes will already have adequate internal controls in place, some of which may apply to a variety of the functions of the administering authority. Schemes should review their existing arrangements and procedures to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. Any such review should be appropriate to the outcome of the risk evaluation.

111. Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.

53
See paragraph 25 for the definition of 'schemes'.

Managing risks by operating internal controls

112. Schemes should consider a number of issues when designing internal controls to manage risks. The examples provided are for illustrative purposes only and are not exhaustive. They should not be relied upon as a substitute for the exercise of judgement, based on the principles set out in this code and any advice considered appropriate, particularly in light of any problems experienced in the past.

a. **How the control is to be implemented and the skills of the person performing the control**
For example, schemes should ensure that new employers participating in the scheme understand what member data are required and the process for supplying it. Where employers fail to supply the correct data or do not follow the correct process, schemes should ensure that the employer identifies the cause of the error and that appropriate action is taken to avoid recurrence, for example remedying a systemic error or providing the relevant training.

b. **The level of reliance that can be placed on information technology solutions where processes are automated**
For example, where scheme administration processes use an automated system, internal or external auditors could audit the system on an annual basis to assess whether it is capable of performing a required function and report any issues that are identified.

c. **Whether a control is capable of preventing future recurrence or merely detecting an event that has already happened**
For example, schemes should ensure that their systems support the maintenance and retention of good member records. This includes implementing procedures and controls which identify where systems are not fit for purpose, there are gaps in the data, the data are of a poor quality and/or there has been a loss of data.

d. **The frequency and timeliness of a control process**
For example, schemes should ensure that data are complete. They should undertake a data-cleansing or member-tracing exercise and review this on a regular basis (at least annually or at regular intervals that they consider appropriate for the scheme).

e. **How the control will ensure that data are managed securely**
For example, schemes should ensure that all staff, including temporary or contract staff, complete information management training before they are given access to sensitive data.

f. The process for flagging errors or control failures, and approval and authorisation controls
For example, schemes should ensure that member communications such as member information booklets are reviewed regularly, particularly where there are changes to the scheme. All relevant parties should be aware of how they should flag errors and the authorisation required before any changes are made to the communications.

Monitoring controls effectively

113. Risk assessment is a continual process and should take account of a changing environment and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.

114. For example, where relevant, schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).

115. An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. Schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

116. Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively. Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.

117. A persistent failure to put in place adequate internal controls may be a contributory cause of an administrative breach. Where the effect and wider implications of not having in place adequate internal controls are likely to be 'materially significant', the regulator would expect to receive a whistleblowing report that outlines relevant information relating to the breach. For more information, see the 'Reporting breaches of the law' section of this code.

118. Ultimately, the legal responsibility for establishing and operating adequate internal controls rests with the scheme manager[54]. Scheme regulations or other documents may delegate responsibilities to pension board members or others – for example identifying, evaluating and managing risks, developing and maintaining appropriate controls and providing assurance to the scheme manager about any controls in place. However, accountability for those controls and the governance of policies, procedures and processes will reside with the scheme manager.

Outsourcing services

119. The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, scheme managers should be satisfied that internal controls associated with those services are adequate and effective.

120. An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. Schemes should ask their service providers to demonstrate that they have adequate internal controls relating to the services they provide. It is vital that schemes ensure they receive sufficient assurance from service providers. For example, the information from providers should be sufficiently detailed and comprehensive and the service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards. This should help to ensure effective administration.

54
Section 249B of the Pensions Act 2004.

Administration

121. This part of the code covers:

- scheme record-keeping
- maintaining contributions, and
- providing information to members.

Scheme record-keeping

Legal requirements

122. Scheme managers must keep records of information relating to:

- member information[55]
- transactions[56], and
- pension board meetings and decisions[57].

123. The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

Practical guidance

124. Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes[58] to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. For funded schemes, it may lead to schemes managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets. Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records to be able to govern and administer their pension scheme efficiently.

125. Scheme managers must establish and operate adequate internal controls[59], which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.

55
Regulation 4 of the Record Keeping Regulations.

56
Regulation 5, ibid.

57
Regulation 6, ibid.

58
See paragraph 25 for the definition of 'schemes'.

59
Section 249B of the Pensions Act 2004.

Records of member information

126. Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate[60]. Member data should be subject to regular data evaluation.

127. Scheme managers must keep specific member data[61], which will enable them to uniquely identify a scheme member and calculate benefits correctly. This is particularly important with the establishment of career average revalued earnings (CARE) schemes. Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements) in accordance with legislative requirements[62], as well as pay the right benefits to the right person (including all beneficiaries) at the right time.

128. Schemes should require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that processes are established by employers which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.

129. Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:

- joins or leaves the scheme
- changes their rate of contributions
- changes their name, address or salary
- changes their member status, and
- transfers employment between scheme employers.

130. Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes, for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.

60
Section 16 and s30 of the 2013 Act. Regulation 4 of the Record Keeping Regulations specifies member records which must be kept. The Data Protection Act 1998 requires personal data to be accurate and up-to-date.

61
Regulation 4 of the Record Keeping Regulations.

62
Legislative requirements include s14 of the 2013 Act, HM Treasury directions made under that section, and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Records of transactions

131. Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs. In doing so, they will have clear oversight of the core scheme transactions and should be able to mitigate risks swiftly.

132. Scheme managers must keep records of transactions made to and from the scheme and any amount due to the scheme which has been written off[63]. They should be able to demonstrate that they do so.

Records of pension board meetings and decisions

133. Scheme managers must keep records of pension board meetings including any decisions made[64]. Schemes should also keep records of key discussions, which may include topics such as compliance with policies relating to administration of the scheme.

134. Scheme managers must also keep records relating to any decision taken by members of the pension board other than at a pension board meeting, or taken by a committee/sub-committee, which has not been ratified by the pension board. The records must include the date, time and place of the decision and the names of board members participating in that decision[65]. This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the scheme.

Retention of scheme records

135. Schemes should retain records for as long as they are needed. It is likely that data will need to be held for long periods of time and schemes will need to retain some records for a member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods.

Ongoing monitoring of data

136. Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete, regardless of the volume of scheme transactions. This should be in relation to all membership categories, including pensioner member data where queries may arise once the pension is being paid.

137. Schemes should adopt a proportionate and risk-based approach to monitoring, based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.

63
Regulation 5 of the Record Keeping Regulations.

64
Regulation 6, ibid.

65
Ibid.

Data review exercise

138. Schemes should continually review their data and carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.

139. Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data. They should ensure that the administrator has assessed the risks that poor or deficient member records may present to the scheme and has taken the necessary steps to mitigate them, where applicable.

140. Where there has been a change of administrator or the administration system/platform, schemes should review and cleanse data records and satisfy themselves that all data are complete and accurate.

Data improvement plan

141. Where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues. The plan should have specific data improvement measures which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.

Reconciliation of member records

142. Schemes should ensure that member records are reconciled with information held by the employer, for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.

Data protection and internal controls

143. Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.

144. Schemes should understand:

- their obligations as data controllers and who the data processors are in relation to the scheme
- the difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998)
- how data are held and how they should respond to data requests from different parties
- the systems which need to be in place to store, move and destroy data, and
- how data protection affects member communications.

Other legal requirements

145. In addition to the requirements set out in the Record Keeping Regulations, there are various other legal requirements that relate to record-keeping in public service pension schemes. Those requirements apply variously to managers, administrators and employers. Not all requirements apply to all public service pension schemes, but some of the key requirements are set out under the following legislation:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010[66]
- Occupational Pension Schemes (Scheme Administration) Regulations 1996
- Registered Pension Schemes (Provision of Information) Regulations 2006
- Data Protection Act 1998, and
- Freedom of Information Act 2000.

146. Where applicable, schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements. Schemes should read the relevant legislation and any guidance in conjunction with this code where applicable.

66
See the regulator's guidance about automatic enrolment for more information about record-keeping requirements under this legislation.

Maintaining contributions

Legal requirements

147. Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable[67].

148. Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period')[68], or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.

149. Where employee contributions are not paid within the prescribed period, if the scheme manager[69] has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period[70]. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law. For more information about reporting breaches of the law, see this section of the code.

Practical guidance

150. As part of the requirement to establish and operate adequate internal controls, scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator. A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.

151. Schemes[71] should monitor pension contributions, resolve payment issues and report payment failures, as appropriate, so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.

67
Section 70A of the Pensions Act 2004.

68
Section 49(8) of the Pensions Act 1995 and regulation 16 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

69
The legal requirement to report late payments of employee contributions is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

70
Section 49(9) of the Pensions Act 1995.

71
See paragraph 25 for the definition of 'schemes'.

152. Adequate procedures and processes are likely to involve:

- developing a record to monitor the payment of contributions
- monitoring the payment of contributions
- managing overdue contributions, and
- reporting materially significant payment failures.

153. These procedures and processes should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator, as well as ensuring the effective management of scheme contributions and payment of the right pension.

Developing a record for monitoring the payment of contributions

154. There are legislative requirements for managers of DB schemes to keep a schedule of contributions; and for DC schemes, a payment schedule, which allows managers to monitor contributions to their scheme. There are various exemptions from these requirements including for DB and DC schemes which are established by or under an enactment and which are guaranteed by a Minister of the Crown or other public authority, and for DB schemes which are pay-as-you-go schemes[72].

155. Public service pension schemes which meet these exemptions should nonetheless develop a record for monitoring the payment of contributions to the scheme (a contributions monitoring record, which must reflect any requirements in scheme regulations where relevant). Schemes should prepare the contributions monitoring record in consultation with employers.

156. A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.

157. A contributions monitoring record should include the following information:

- contribution rates
- the date(s) on or before which employer contributions are to be paid to the scheme
- the date by when, or period within which, the employee contributions are to be paid to the scheme
- the rate or amount of interest payable where the payment of contributions is late.

72
Exemptions from the requirement to secure a schedule of contributions in respect of DB schemes under s227 of the Pensions Act 2004 are in regulation 17 of the Occupational Pension Schemes (Scheme Funding) Regulations 2005. Exemptions from the requirement to secure a payment schedule in respect of DC schemes under s87 of the Pensions Act 1995 is in regulation 17 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

158. The date when employer contributions must be paid is the date on or before which they are due under the scheme in accordance with the scheme regulations (or other scheme documentation). Schemes should assess the timing of payments against the date specified.

159. While there is a legal requirement for employee contributions to be paid to the scheme by the 19th day of the month following deduction, or by the 22nd day if paid electronically, this does not override any earlier time periods required by the scheme regulations. There are special rules for the first deduction of contributions on automatic enrolment under the Pensions Act 2008[73].

160. A contributions monitoring record should help schemes to identify any employers who are not paying contributions on time and/or in full, support schemes to ensure that contributions are paid and employers to develop and implement new processes, as appropriate. The contributions monitoring record should provide schemes with information to maintain records of money received and will be useful for schemes to ensure that their member records are kept up-to-date.

Monitoring the payment of contributions

161. Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.

162. Schemes should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures occurring and which are likely to be of material significance and require the scheme manager to intervene.

163. Schemes should be aware of what is to be paid in accordance with the contributions monitoring record or other scheme documentation, which may be used by the pension scheme. Schemes should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.

164. For schemes to effectively monitor contributions they will require access to certain information. Employers will often provide the payment information that schemes need to monitor contributions at the same time as they send the contributions to the scheme, which may be required under the scheme regulations. Payment information may include:

- the employer and employee contributions due to be paid, which should be specified in the scheme regulations and/or other scheme documentation
- the pensionable pay that contributions are based upon (where required), and
- due date(s) on or before which payment of contributions and other amounts are to be made.

73 Regulation 16 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

165. Schemes should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member. Where the necessary payment information is not automatically available or provided by employers, schemes should request the additional information they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.

166. Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits[74], which will support them in their administration and monitoring responsibilities.

167. Where the administration of scheme contributions is outsourced to a service provider, schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme and a clear procedure in place to enable them to identify and resolve payment failures which may occur.

Managing overdue contributions

168. When schemes identify or are notified of a problem, they should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it. During their assessment, schemes should take into account:

- legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances
- legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances
- contributions paid directly to a pension provider, scheme administrator or investment manager
- any AVCs included with an employer's overall payment.

169. Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:

a. Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.

b. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.

74
Regulation 5 of the Record Keeping Regulations.

c. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.

d. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.

170. Schemes should maintain a record of their investigation and communications between themselves and the employer. Recording this information will help to provide evidence of schemes' effective monitoring processes and could help to demonstrate that the scheme manager has met the legal requirement to establish and operate adequate internal controls. It will also form part of the decision of whether or not to report a payment failure to the regulator and, where relevant, members.

171. The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes should review current processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.

172. Ultimately, schemes have flexibility to design their own procedures so that they can obtain overdue payments and rectify administrative errors in the most effective and efficient way for their particular scheme.

Reporting payment failures which are likely to be of material significance to the regulator

173. Scheme managers must report payment failures which are likely to be of material significance to the regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions[75].

174. Where schemes identify a payment failure, they should attempt to recover contributions within 90 days from the due date or prescribed period having passed without full payment of the contribution.

175. While schemes are not expected to undertake a full investigation to establish materiality or investigate whether an employer has behaved fraudulently, schemes should ask the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

75
Section 49(9)(b) of the Pensions Act 1995 and s70A of the Pensions Act 2004.

176. When reaching a decision about whether to report, schemes should consider these points together and establish whether they have reasonable cause to report.

177. Having reasonable cause means more than merely having a suspicion that cannot be substantiated. Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator.

178. Schemes may choose to take an employer's response to their enquiries at face value if they have no reason to believe it to be untrue or where their risk-based process indicates that there is a low risk of continuing payment failure. Where they receive no response, schemes may infer that an employer is unwilling to pay the contributions due.

179. Examples of payment failures that are likely to be of material significance to the regulator include:

- where schemes have reasonable cause to believe that the employer is neither willing nor able to pay contributions, for example in the event of a business failure or where an employer becomes insolvent and is unable to make pension payments
- where there is a payment failure involving possible dishonesty or a misuse of assets or contributions, for example where schemes have concerns that an employer is retaining and using contributions to manage cash flow difficulties or where schemes have become aware that the employer has transferred contributions elsewhere other than to the pension scheme, which may be misappropriation
- where the information available to schemes may indicate that the employer is knowingly concerned with fraudulently evading their obligation to pay employee contributions
- where schemes become aware that the employer does not have adequate procedures or systems in place to ensure the correct and timely payment of contributions due and the employer does not appear to be taking adequate steps to remedy the situation, for example where there are repetitive and regular payment failures, or
- any event where contributions have been outstanding for 90 days from the due date, unless the payment failure was a one-off or infrequent administrative error that had already been corrected on discovery or is thereafter corrected as soon as possible.

180. Examples of payment failures which are not likely to be of material significance to the regulator include:

- where a payment arrangement is being met by an employer for the recovery of outstanding contributions, or
- where there are infrequent one-off payment failures or administrative errors such as where employees leave or join the scheme and those occasional failures or errors have been corrected within 90 days of the due date.

181. Schemes should identify and report to the regulator, as appropriate, any payment failures that may not be of material significance taken individually, but which could indicate a systemic problem. For example, an employer consistently failing to pay contributions by the due date or within the prescribed period, but paying within 90 days, may be due to inefficient scheme systems and processes. Schemes may also need to report payment failures that occur repeatedly and are likely to be materially significant to the regulator, depending on the circumstances.

182. Reporting payment failures of employer contributions as soon as 'reasonably practicable' means within a reasonable period from the scheme manager having reasonable cause to believe that the payment failure is likely to be of material significance to the regulator. Schemes should also consider whether it may be appropriate to report a payment failure of employer contributions to scheme members.

183. A reasonable period for reporting would be within ten working days from having reasonable cause to believe that the payment failure is likely to be of material significance. This will depend upon the seriousness of the payment failure and impact on the scheme. A written report should be preceded by a telephone call, if appropriate.

184. In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe that the payment failure is likely to be of material significance to the regulator, the failure must be reported to the regulator[76] and members within a reasonable period after the end of the prescribed period[77]. A reasonable period for reporting to the regulator would be within ten working days and to members within 30 days of having reported to the regulator.

185. Reports relating to payment failures of employer contributions must be made in writing (preferably using our Exchange online service)[78]. In exceptional circumstances the scheme manager could make a telephone report.

76
Reporting to the regulator does not affect any responsibility to report to another person or organisation.

77
S49(8) and (9) of the Pensions Act 1995 and regulation 16 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under s70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.

78
Section 70A of the Pensions Act 2004.

186. The regulator has standardised reporting procedures and expectations regarding content, format and channel. For more information, see the section of this code on 'Reporting breaches of the law'.

Providing information to members

Legal requirements

187. The law requires schemes[79] to disclose information about benefits and scheme administration to scheme members and others. This section summarises the legal requirements relating to benefit statements and certain other information which must be provided and should be read alongside the requirements in the 2013 Act, HM Treasury directions[80] and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation. See paragraph 211 for further details.

Benefit statements

For active members of DB schemes under the 2013 Act

188. Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme[81]. The statement must include a description of the benefits earned by a member in respect of their pensionable service[82].

189. The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force. Subsequent statements must be provided at least annually after that date[83].

190. Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members[84].

For active, deferred or pension credit members of any DB public service pension scheme under the Disclosure Regulations 2013

191. Managers[85] of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request[86].

79
See paragraph 25 for the definition of 'schemes'.

80
Section 14 of the 2013 Act.

81
Section 14(1) and s30(1) of the 2013 Act.

82
Section 14(2)(a), ibid.

83
Section 14(4) and (5), ibid.

84
Section 14(2)(b) and (6), ibid.

85
The Occupational Pension Schemes (Managers) Regulations 1986 specify who is to be treated as the 'manager' (in certain occupational public service pension schemes) for the purpose of providing information under specified legislation, including the Disclosure Regulations 2013, which may differ from the person who is the 'scheme manager'.

86
Regulation 16 of the Disclosure Regulations 2013.

192. These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated[87]. The full details depend on the type of member making the request.

193. The information must be given as soon as practicable but no more than two months after the date the request is made[88].

For members of a DC public service pension scheme under the Disclosure Regulations 2013

194. Managers of a scheme must provide a benefit statement to a member of a DC public service pension scheme, who is not an 'excluded person', within 12 months of the end of the scheme year[89]. An 'excluded person' is a member or beneficiary whose present postal address and email address is not known to the scheme because the correspondence has been returned (in the case of postal correspondence) or has not been delivered (in the case of electronic correspondence)[90].

195. The information which must be provided includes the amount of contributions (before any deductions are made) credited to the member during the immediately preceding scheme year[91], the value of the member's accrued rights under the scheme at a date specified by the managers of the scheme[92] and a statutory money purchase illustration[93]. The full detail of the information that must be provided is set out in the Disclosure Regulations 2013.

Other information about scheme administration

196. Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes:

- basic scheme information
- information about the scheme that has materially altered
- information about the constitution of the scheme
- annual report (this requirement will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers[94])

87
Regulation 16 and Schedule 5 of the Disclosure Regulations 2013.

88
Regulation 16(3), ibid.

89
Regulation 17, ibid.

90
Regulation 2, ibid.

91
'Scheme year' is defined in Regulation 2, ibid.

92
Regulation 17 and Schedule 6, ibid.

93
Paragraph 6 and Schedule 6, ibid. There are certain exceptions to the requirements to provide this information.

94
Regulation 4, ibid.

- information about funding principles, actuarial valuations and payment schedules (these requirements will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers[95])
- information about transfer credits
- information about lifestyling (this requirement will not apply in respect of DB benefits in public service pension schemes[96])
- information about accessing benefits, and
- information about benefits in payment.

197. The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries[97].

Who is entitled to information

198. Managers of a scheme must ensure that scheme members and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person' (as defined above).

199. The Disclosure Regulations 2013 make provision for scheme members and others to receive information that is relevant to their pension rights and entitlements under the scheme. The categories of people who are entitled to receive information vary according to the different types of information, and there are exemptions where information has already been provided in a specified period. The detail of who is entitled to any particular type of information is set out in the Disclosure Regulations 2013 but may include any of the following ('a relevant person'):

- active members
- deferred members
- pensioner members
- prospective members
- spouses or civil partners of members or prospective members
- other beneficiaries, and
- recognised trade unions.

95
Regulation 4 of the Disclosure Regulations 2013.

96
Regulation 18(1), ibid.

97
Regulation 4(7), ibid.

When basic scheme information must be provided

200. Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member[98]. Where the manager has received jobholder information[99] for the member or prospective member they must provide the information within a month of the jobholder information being received[100]. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme[101].

201. Managers must also provide the information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 months before the request[102].

What information must be disclosed on request

202. In addition to the basic scheme information, pension scheme members and other relevant persons are entitled to request certain scheme information or scheme documents including:

- information about the constitution of the pension scheme, and
- information about transfer credits[103].

How benefit statements and other information must be provided

203. Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met[104]. These include:

- scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme
- managers being satisfied that the electronic communications have been designed:
  - so that the person will be able to access and either store or print the relevant information and
  - taking into account the requirements of disabled people

98 Regulation 6 of the Disclosure Regulations 2013.

99 Specified in regulation 3 of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010.

100 Regulation 6(5) of the Disclosure Regulations 2013.

101 Regulation 6(6), ibid.

102 Regulation 6(4) and (7), ibid.

103 Regulations 11, 14 and Parts 1 and 4 of Schedule 3, ibid.

104 Regulation 26, ibid.

- ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that:
  - it is proposed to provide information electronically in the future and
  - scheme members and beneficiaries may opt out of receiving information electronically by sending written notice.

204. Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient[105]. They must ensure that the notice includes:

- a statement advising that the information is available on the website
- the website address
- details of where on the website the information or document can be read, and
- an explanation of how the information or document may be read on the website[106].

205. When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website[107]. This notice will not be required where[108]:

- at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address
- each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically
- a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and
- the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.

105
Regulation 27(1) and (5) of the Disclosure Regulations 2013.

106
Regulation 27(2), ibid.

107
Regulation 27(3) and (5), ibid.

108
Regulation 28, ibid.

206. In some cases, the Disclosure Regulations 2013 specify that information must be made available by one of the following methods[109]:

- available to view free of charge, at a place that is reasonable having regard to the request
- published on a website (in which case the procedure to be followed before making information available on a website does not apply, except that the person or trade union must be notified of certain details)
- given for a charge that does not exceed the expense incurred in preparing, posting and packing the information, or
- publicly available elsewhere.

Practical guidance

207. Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.

208. Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.

209. Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage. Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information. Scheme managers and managers (where different) must provide information in accordance with the time periods specified in the 2013 Act and Disclosure Regulations 2013.

210. To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.

Other legal requirements

211. Managers (or any other person specified in legislation) must comply with other legislation requiring information to be provided to members of public service pension schemes in certain circumstances. Not all requirements apply to all public service pension schemes and some may only arise in limited circumstances.

109 Regulation 29 of the Disclosure Regulations 2013.

Some of the requirements that schemes may need to be aware of are set out in or under the following legislation[110]:

- Occupational Pension Schemes (Contracting-out) Regulations 1996
- Occupational Pension Schemes (Transfer Values) Regulations 1996
- Occupational Pension Schemes (Winding up etc.) Regulations 2005
- Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008 (the requirements of these regulations are covered in the section of this code on 'Internal dispute resolution').

110 The legislation identified in this list is made under section 113 of the Pension Schemes Act 1993. There are other requirements that relate to providing information to members which arise under other legislation and which may be relevant to public service pension schemes (for example, under legislation relating to automatic enrolment and early leavers).

Resolving issues

212. This part covers:

- internal dispute resolution, and
- reporting breaches of the law.

Internal dispute resolution

Legal requirements

213. Scheme managers[111] must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. 'Pension disputes'[112] cover matters relating to the scheme between the managers and one or more people with an interest in the scheme. These exclude 'exempted disputes'.

214. There are certain 'exempted disputes' to which the internal dispute resolution procedure will not apply[113]. This includes disputes where proceedings have commenced in any court or tribunal, or where the Pensions Ombudsman has commenced an investigation into it. Certain other prescribed disputes, for instance medical-related disputes that may arise in relation to police and fire and rescue workers, are also 'exempted disputes'[114].

215. A person has an interest in the scheme if they:

- are a member or surviving non-dependant beneficiary of a deceased member of the scheme
- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme
- are a prospective member of the scheme
- have ceased to be a member, beneficiary or prospective member or
- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.

216. Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters[115].

111
Legal requirements relating to the internal dispute resolution provisions are imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

112
Section 50(3) of the Pensions Act 1995.

113
Section 50(9), ibid.

114
Regulation 4 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008.

115
Section 50(4A) of the Pensions Act 1995.

217. Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it[116].

218. Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given[117]. The procedure must specify a reasonable period within which applications must be made by certain people[118].

219. Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service (TPAS) and the Pensions Ombudsman to certain people at certain stages[119].

Practical guidance

220. Scheme members expect their pension scheme to be managed effectively. Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.

221. Internal dispute resolution arrangements provide formal procedures and processes for pension scheme disputes to be investigated and decided upon quickly and effectively. They play a key role in the effective governance and administration of a scheme.

222. Schemes[120] can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that is more appropriate for their scheme.

223. With the exception of certain matters outlined below, the law does not prescribe the detail of the dispute resolution procedure. Schemes should decide on this and ensure it is fit for purpose.

116
Section 50(5) of the Pensions Act 1995.

117
Section 50B(4), ibid.

118
Section 50B(3)(a), ibid.

119
Regulation 6 of, and Part 1 of Schedule 2 to, the Disclosure Regulations 2013 and regulation 2 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures) (Consequential and Miscellaneous Amendments) Regulations 2008.

120
See paragraph 25 for the definition of 'schemes'.

When applications should be submitted

224. Schemes may choose to specify time limits within which the following people must apply for a dispute to be resolved[121]:

- scheme members
- widows, widowers, surviving civil partners or surviving dependants of deceased scheme members
- surviving non-dependant beneficiaries of deceased scheme members, and
- prospective scheme members.

225. If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.

226. Scheme managers must ensure their scheme's procedure specifies a reasonable period within which applications by the following people must be made[122]:

- a person who has ceased to be within the categories in paragraph 224 above
- a person who claims that they were a person within the categories in paragraph 224 above and has ceased to be such a person, and the dispute relates to whether they are such a person.

227. A reasonable period would be six months beginning immediately after the date on which the person ceased to be, or claims they ceased to be, a person with an interest in the scheme. However, schemes have the flexibility to exercise their judgement and take an application outside a specified time period, if appropriate.

When decisions should be taken

228. Managers and specified persons (where applicable) must decide the matter in dispute within a reasonable period of receiving the application. A reasonable period is within four months of receiving the application. In the case of a two-stage dispute resolution procedure, the reasonable period applies to each stage separately. Where a dispute is referred to scheme managers for a second-stage decision, the reasonable period begins when the managers receive the referral. However, there may be cases where it will be possible to process an application sooner than the reasonable time given. Where this is the case, there should not be a delay in taking the decision.

121 Section 50B(3)(b) of the Pensions Act 1995.

122 Section 50B(3)(a) of the Pensions Act 1995.

229. There may be exceptional circumstances of a particular dispute which may prevent the process being completed within the reasonable time period stated above. For instance, where the dispute involves unusually complex and labour-intensive calculations or research, or delays occur that are outside the control of the scheme manager (or specified person), or because they need to obtain independent evidence.

230. The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.

When applicants should be informed of a decision

231. Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made[123]. Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.

232. Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome.

Implementing the procedure and processes

233. Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented.

234. Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making. This is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage.

235. Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website.

123
Section 50(5) of the Pensions Act 1995.

236. Scheme managers must provide the following information about the procedure and processes the scheme has in place for the internal resolution of disputes to certain people in certain circumstances[124]:

- prospective members, if it is practicable to do so
- any scheme members who have not already been given the information
- certain relevant people who request the information and who have not been given that information in the previous 12 months, and
- members or prospective members when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment.

237. Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.

238. In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages[125]. Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.

239. Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make the following information available to applicants:

- the procedure and processes to apply for a dispute to be resolved
- the information that an applicant must include
- the process by which any decisions are reached, and
- an acknowledgement once an application has been received.

124
Regulation 6 of, and Part 1 of Schedule 2 to, the Disclosure Regulations 2013.

125
Regulation 2 of the Occupational Pension Schemes (Internal Dispute Resolution Procedures) (Consequential and Miscellaneous Amendments) Regulations 2008.

240. When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.

Reporting breaches of the law

Legal requirements

241. Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty[126] which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions[127].

For further information about reporting late payments of employee or employer contributions, see the section of this code on 'Maintaining contributions'.

242. People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers[128]
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers[129]: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers[130] including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme[131].

243. The report must be made in writing as soon as reasonably practicable[132]. See paragraph 263 for further information about how to report breaches.

126 The reference to a legal duty is to a duty imposed by, or by virtue of, an enactment or rule of law (s70(2)(a) of the Pensions Act 2004).

127 Section 70(2) of the Pensions Act 2004.

128 The legal requirement to report breaches of the law under section 70(1)(a) is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

129 As defined in s318 of the Pensions Act 2004.

130 As defined in s47 of the Pensions Act 1995.

131 Section 70(1) of the Pensions Act 2004.

132 Section 70(2), ibid.

Practical guidance

244. Schemes[133] should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.

Implementing adequate procedures

245. Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.

246. Procedures should include the following features:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board
- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator
- an established procedure for dealing with difficult cases
- a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable
- a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and
- a process for identifying promptly any breaches that are so serious they must always be reported.

133
See paragraph 25 for the definition of 'schemes'.

Judging whether a breach must be reported

247. Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.

Judging whether there is 'reasonable cause'

248. Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

249. Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

250. Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.

251. If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

252. In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Judging what is of 'material significance' to the regulator

253. In deciding whether a breach is likely to be of 'material significance' to the regulator. It would be advisable for those with a statutory duty to report to consider the:

- cause of the breach
- effect of the breach
- reaction to the breach, and
- wider implications of the breach.

254. When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.

Cause of the breach

255. The breach is likely to be of material significance to the regulator where it was caused by:

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law.

256. When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

257. A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

258. Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:

- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and
- any other breach which may result in the scheme being poorly governed, managed or administered.

259. Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

260. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.

261. A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

262. Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Submitting a report to the regulator

263. Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.

264. The report should be dated and include as a minimum:

- full name of the scheme
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter, and
- role of the reporter in relation to the scheme.

265. Additional information that would help the regulator includes:

- the reason the breach is thought to be of material significance to the regulator
- the address of the scheme
- the contact details of the scheme manager (if different to the scheme address)
- the pension scheme's registry number (if available), and
- whether the concern has been reported before.

266. Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

267. Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the reporter be confident that the regulator has received their report.

268. The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

269. The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.

270. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

271. In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.

Whistleblowing protection and confidentiality

272. The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

273. The statutory duty to report does not, however, override 'legal privilege'[134]. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

134
Section 311 of the Pensions Act 2004.

274. The regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

275. The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.

Appendix

Corresponding Northern Ireland legislation

GB legislation	NI legislation
Pension Schemes Act 1993 (c. 48) - Chapter 1 of Part 4 - section 113	Pension Schemes (Northern Ireland) Act 1993 (c. 49) - Chapter 1 of Part 4 - section 109
Pensions Act 1995 (c. 26) - section 47 - section 49 - section 50 - section 50B - section 87	Pensions (Northern Ireland) Order 1995 (SI 1995/3213 (NI 22)) - Article 47 - Article 49 - Article 50 - Article 50B - Article 85
Employment Rights Act 1996 (c. 18)	Employment Rights (Northern Ireland) Order 1996 (SI 1996/1919 (NI 16))
Data Protection Act 1998 (c. 29)	Data Protection Act 1998 (c. 29)
Freedom of Information Act 2000 (c.36)	Freedom of Information Act 2000 (c.36)
Pensions Act 2004 (c. 35) - section 5 - section 13 - section 70 - section 70A - section 90A - Part 3 - section 227 - section 248 - section 248A - section 249A - section 249B - section 311 - section 318	Pensions (Northern Ireland) Order 2005 (SI 2005/255 (NI 1)) - Article 4 - Article 9 - Article 65 - Article 65A - Article 85A - Part 4 - Article 206 - Article 225 - Article 225A - Article 226A - Article 226B - Article 283 - Article 2
Pensions Act 2008 (c. 30)	Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13)

GB legislation	NI legislation
Public Service Pensions Act 2013 (c. 25) - section 1 - section 2 - section 3 - section 4 - section 5 - section 6 - section 7 - section 14 - section 15 - section 16 - section 28 - section 30 - Schedule 2 - Schedule 3	Public Service Pensions Act (Northern Ireland) 2014 (c. 2) - section 1 - section 2 - section 3 - section 4 - section 5 - section 6 - section 7 - section 14 - section 15 - section 16 - section 28 - section 31 - Schedule 2 - Schedule 3
Occupational Pension Schemes (Managers) Regulations 1986 (SI 1986/1718)	Occupational Pension Schemes (Managers) Regulations (Northern Ireland) 1986 (SR 1986 No. 320)
Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)	Occupational Pension Schemes (Contracting-out) Regulations (Northern Ireland) 1996 (SR 1996 No. 493)
Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)	Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No. 94)
Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847)	Occupational Pension Schemes (Transfer Values) Regulations (Northern Ireland) 1996 (SR 1996 No. 619)
Occupational Pension Schemes (Winding up etc.) Regulations 2005 (SI 2005/706)	Occupational Pension Schemes (Winding up, etc.) Regulations (Northern Ireland) 2005 (SR 2005 No. 171)
Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)	Occupational Pension Schemes (Scheme Funding) Regulations (Northern Ireland) 2005 (SR 2005 No. 568)
Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)	Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

GB legislation	NI legislation
Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008 (SI 2008/649)	Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations (Northern Ireland) 2008 (SR 2008 No. 116)
Employers' Duties (Registration and Compliance) Regulations 2010 (SI 2010/5)	Employers' Duties (Registration and Compliance) Regulations (Northern Ireland) 2010 (SR 2010 No. 186)
Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 (SI 2010/772)	Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations (Northern Ireland) 2010 (SR 2010 No. 122)
Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734)	Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014 (SR 2014 No. 79)
Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014	Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations (Northern Ireland) 2014

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:
Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**Pensions Committee**
Date:	**07 January 2016**
Subject:	**LGPS Asset Pooling**

Summary:

This paper updates the Committee on the Government's requirements on pooling LGPS assets, following the publication of the pooling criteria and investment regulations consultation on 25th November 2015. In addition, it details the preferred pooling route for the Lincolnshire Pension Fund.

Recommendation(s):

That the Committee
i) note the report;
ii) agree the principles for pooling outlined at paragraph 1.7 in the report; and
iii) delegate authority to the Executive Director of Finance and Public Protection, in consultation with the Chair and Vice Chair of the Pensions Committee, to respond to the Government's consultation and pooling requirements.

Background

1 Asset Pooling

1.1 The Committee have been kept updated since the summer budget speech in July on the Governments desire to pool pension fund assets. In his speech on the Comprehensive Spending Review on 25th November 2015, the Chancellor announced the release of the awaited consultation on pooling. Para 1.138 states: "*The government will today publish guidance for pooling Local Government Pension Scheme Fund assets into up to 6 British Wealth Funds, containing at least £25 billion of Scheme assets each. The government is now inviting administering authorities to come forward with their proposals for new pooled structures in line with the guidance to significantly reduce costs while maintaining overall investment performance, with the wider ambition of matching the infrastructure investment levels of the top global pension funds*".

1.2 The Committee was emailed the criteria and consultation documents on 9th December, along with a briefing note form the Fund's consultant, Hymans Robertson.

1.3 The criteria for pooling assets, and not subject to consultation, are:

a) Achieve the benefits of **scale** – up to 6 asset pools of £25bn or more. *Given that the London Funds have already created a pool, and Welsh Funds are expected to be a standalone pool, this potentially only leaves 4 pools for the rest of the County (48 Funds). It is expected that most assets will transfer in a pool, and any that remain outside must have a clear rationale for not pooling (e.g. direct property with the costs of transfer or closed ended funds that will run off over the coming years).*

b) Strong **governance** and decision-making – investments should be managed appropriately by the pool with risk adequately assessed and managed. The pool should have appropriate resources and skills. The Local authority will hold the pool to account. *This removes the investment manager decisions from the Pensions Committee and places them with the pool – the Committee will retain asset allocation decisions.*

c) **Reduced costs** and excellent **value for money** – pools need to deliver substantial savings in investment fees, both in the near term and over the next 15 years, while at least maintaining investment performance. *Overall savings will be measured against the Hymans report of last year, indicating a potential collective figure of around £600m p.a.*

d) An improved capacity to invest in **infrastructure** – proposals should show how the pooling arrangements will enable the funds to invest more in infrastructure. *Whilst not specifically referring to UK infrastructure, this is seen as the ultimate aim.*

1.4 The consultation requires an initial “suitably ambitious” but well-structured proposal for submission to Government by 19th February 2016, detailing our commitment to pooling, describing our ‘progress towards formalising arrangements with other authorities’. These submissions can be at individual Fund level or pool level (if Funds have agreed), or both. It is expected that a considerable amount of detail and thought will have gone into these submissions and that they are more than just a direction of travel.

1.5 Following receipt of these, it is expected that Government will respond as to whether they are acceptable proposals or not, and those Funds that have not partnered may be directed to join certain pools.

1.6 The second stage is required by 15th July 2016. This final submission must fully address the criteria set out above, with enough information for the proposal to be fully evaluated by government. Each pool must make a submission which covers the joint proposals and describes the proposed governance, structure and implementation plan. Each authority must also submit an individual return which sets out the profile of costs and savings, for up to 15 years ahead, the transition profile for the assets and the rationale for any assets which it proposes to hold outside the pool.

1.7 As a Fund, we have had meetings with a number of potential pooling partners, to assess their suitability. It is important that any partners we pool with have similar investment principles and beliefs (sometimes referred to as "like-minded"). It is suggested that the main principles the Lincolnshire Fund believes are important are:

- Every Fund in a pool will have an equal voice in the pool, regardless of size.
- Internal management capabilities are beneficial and reduce costs, however, in a pool these must sit separately from the Funds and must be FCA regulated and subject to the same due diligence as any external manager.
- Any local investment must meet the minimum investment criteria of the pool and provide an equal or greater return (on a risk adjusted basis) than can be found elsewhere in the market.

The Committee is requested to adopt these principles to assist in selecting an appropriate pooling arrangement.

1.8 The pools that we have met with are set out below, with observations as to how they would fit with Lincolnshire.

- "Northern Powerhouse" – West Yorkshire, Greater Manchester and Merseyside Pension Funds have publically declared they are working together, this will create a pool of around £40bn. They are in discussion with a number of smaller funds around them and are very vocal about their passion for local investment, particularly along the M62 corridor. This will have internal management capacity, but the internal teams are expecting to stay located with their current Fund, and manage other funds through delegation powers rather than becoming FCA regulated. This is not seen as a suitable pool for Lincolnshire.

- Midlands Pool – West Midlands, Derbyshire, Cheshire, Shropshire, Nottinghamshire, Staffordshire, and Worcestershire have publically announced that they will join together as a £35bn pool. This will have internal management capacity, but the internal teams are expecting to stay located with their current Fund. This is not seen as a suitable pool for Lincolnshire.

- ACCESS – Northamptonshire, Cambridgeshire, Essex, Isle of Wight, Hampshire, Buckinghamshire, Norfolk and some other Funds are in discussion. So far two meetings have been held and a number of the Funds that attended are also in discussion with other Funds. No real progress has been made yet. This will not have internal management capacity. It is not yet known what size the final pool will be. This is not seen as a suitable pool for Lincolnshire.

- Border to Coast Pensions (working title) – East Riding, Cumbria, Surrey and Warwickshire have publically declared their intent to pool, and a number of other Funds are in detailed discussion with them, but have yet to go public. The three Funds at East Riding, Cumbria and Surrey have been working on a proposal since the budget announcement in July, and have put considerable thought into who they would wish to partner with and how that structure might work. If all funds that they are speaking to progress, this will be around £32bn (with 10 Funds) so will meet the target size. The draft investment principles that have been draw up are aligned to Lincolnshire's principles. This is seen as the most suitable pool for Lincolnshire to join. Officers have spent time researching what governance options are available, the optimal regulated pooling structures and high level legal, tax and audit matters that need to be considered when constructing an asset pool of this scale and complexity. Given the work that has already been undertaken, and that which is planned over the coming weeks, this pool will be able to submit a considered and "suitably ambitious" proposal in time for the Government's deadline.

1.9 Therefore the preferred pool for the Lincolnshire Pension Fund to work with is the Border to Coast Pensions pool, as a founding member, ahead of the February proposal deadline. Within any of the pools it will be the founding members that will be able to input into and agree the governance structures that will be followed by the pool. Coming into a pool at a later date will mean that such input is difficult, as important decisions will have already been made, to ensure that the proposal is acceptable to Government.

2 Impact on the Committee

2.1 How does this change impact the Committee? Actually, very little. The only area that changes for the Pensions Committee is manager selection. The important aspects of managing the Pension Fund will all stay with the Committee; the asset allocation (e.g. how much in equities or bonds, how much in UK or overseas), the administration of the benefits, and the Fund governance. The Pool will manage the investments of the Fund, and the manager selection, in the asset allocation set by the Committee. The Pool will be responsible for the manager choice, but will be accountable to the Fund for poor investment decisions. The Pool will report to the Fund on the performance of its investments, rather than the manager presentation meetings that are currently held.

3 Proposed Changes to the Investment Regulations

3.1 Complementing the Guidance on responding with a suitably ambitious pooling proposal, a consultation has also been issued on replacing and revoking the LGPS (Management and Investment of Funds) Regulations 2009. The aim of the new regulations is to lift existing restrictions on LGPS fund investment powers in order to make it easier for them to pool investments and access benefits of scale. The core principle has been to move to a prudential approach securing a diversified investment strategy that appropriately takes account of risk, as is done in the private sector. The consultation on the new regulations ends on 19th February 2016, alongside the requirement to submit first stage pooling propositions.

3.2 The proposals in this consultation paper seek to address the restrictive nature of the previous investment regulations, placing the onus on authorities to determine a diversified investment strategy that appropriately takes risk into account. The draft regulations recognise that in relaxing the regulatory framework for scheme investments, it is also important to introduce safeguards to ensure that the less prescriptive approach proposed is used appropriately.

3.3 The safeguard within the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 is in draft regulation 8(2)h, which introduces a new power to allow the Secretary of State to intervene. This is intended to ensure that LGPS funds take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance. The new power would enable the Secretary of State to issue Directions to individual funds. These may require the Fund to develop a new investment strategy statement, or invest all or a portion of its assets in a particular way more closely adhering to the Criteria and Guidance. Alternatively, it is suggested that the Secretary of State may personally intervene by executing a fund's investment functions, or by directing a third party to implement a fund's investment strategy. This type of "backstop" legislation is often found when the government deregulates.

4 Recommendation for delegated authority

4.1 Given the timescale in which a response is required (by 19th February 2016), it is requested that authority is delegated to the Executive Director of Finance and Public Protection, in consultation with Chair and Vice Chair of the Pensions Committee, to submit a response to the consultation on investment regulations and respond, either individually as a Fund or as part of a Pool, with a "suitable ambitious" proposal for asset pooling.

Conclusion

5 The Government has published its long-awaited paper on asset pooling and updating the investment regulations. The criteria for pooling have been announced, and funds are asked to submit "suitably ambitious" pooling proposals by 19th February, the same date that the consultation on the investment regulations closes.

6 Delegation of authority is requested to allow the Executive Director of Finance and Public Protection, in consultation with Chair and Vice Chair of the Pensions Committee, to prepare and submit the responses required.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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