



LGPS LOCAL PENSION BOARD

THURSDAY, 15 DECEMBER 2016 at 10.00 AM

COMMITTEE ROOM TWO, COUNTY OFFICES, NEWLAND, LINCOLN LN1 1YL

MEMBERS OF THE BOARD

Independent Chair (non-voting): Roger Buttery

Employer Representatives (voting): Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives (voting): Ian Crowther and David Vickers

AGENDA

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Interest	
3	Minutes of the previous meeting of the Lincolnshire Pension Board held on 23 September 2016	3 - 8
4	External Audit - KPMG Presentation <i>(A report by Jo Ray, Pension Fund Manager which invites the Fund's external auditor KPMG to present to the Pension Board. The auditor will cover the background to the Pension fund audit, their approach to the audit and how they conduct it)</i>	9 - 10
5	Pensions Administration Update <i>(A report by Grace Kitchen, West Yorkshire Pension Fund, which provides an update on the pensions' administration service, managed by West Yorkshire Pension Fund)</i>	11 - 18
6	Valuation Update	19 - 22

(A report by Jo Ray, Pension Fund Manager, which provides an update on the Triennial Valuation process and results)

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| 7 | Asset Pooling Update
<i>(A report by Jo Ray, Pension Fund Manager, which provides an update on the latest activity with the asset pooling requirements)</i> | 23 - 30 |
| 8 | Training Needs
<i>(This is a standard item on the agenda and seeks the views of the members about their training needs)</i> | Verbal Report |
| 9 | Work Programme | Verbal Report |

Published on Wednesday, 7 December 2016

Should you have any queries on the arrangements for this meeting, please contact Catherine Wilman via telephone 01522 553788 or alternatively via email at catherine.wilman@lincolnshire.gov.uk



LGPS LOCAL PENSION BOARD 23 SEPTEMBER 2016

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers

Officers in attendance:-

Steve Blagg (Democratic Services Officer), David Forbes (County Finance Officer), Jo Ray (Pension Fund Manager) and Stuart Duncombe (Pension Fund Representative)

12 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor M A Whittington.

13 DECLARATIONS OF INTEREST

There were no declarations of interests made at this stage of the meeting.

14 MINUTES OF THE MEETING HELD ON 22 JULY 2016

RESOLVED

That the minutes of the previous meeting of the LGPS Local Pension Board held 22 July 2016, be agreed as a correct record and signed by the Chairman.

15 PRESENTATION BY WEST YORKSHIRE PENSION FUND

The Board received a verbal presentation from Stuart Duncombe, Team Manager for Business Relations, West Yorkshire Pension Fund, in connection with administration matters of the Lincolnshire Pension Fund which were due to be reported to the Pensions Committee on 6 October 2016.

Performance issues highlighted by Stuart Duncombe, comments made by the Board and the responses of officers, included:-

1. Refund Quotes at 43% was below the target of 85%. The reason for the failure to meet this target was due to work on the Valuation of the Fund and the Annual Statements and the need to prioritise other work matters.

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2. Transfer Out quotes at 28% was below the target of 85% and the reasons for not reaching the target were similar to those in (a), above, and in addition the late delivery of Government factors to enable calculations to be done had contributed to the backlog..

Stuart Duncombe stated that there were 39 requests for Transfer Out quotes and some frustration had been shown by people trying to get a quote. The majority of requests had come from financial advisers and these were mainly of a speculative nature, 94% of divorce quotes were met, which showed where the main priority was. Important issues were able to be prioritised.

3. The performance target for dealing with death grants was important and had been met 100%.

4. 79% performance met for death in retirement and 97% performance met for retirement actuals.

5. Six new members of staff had been recruited to the Bradford office.

6. Officers stated that following a number of staff departures from the Lincoln based office concerns had been expressed about retention of staff in Lincoln. There were benefits of having a Lincoln office but current circumstances did not allow staff to be trained here.

7. Staff changes to the Communications Team.

8. Was it the intention to retain the overall performance measurement target of 85%? Officers stated that there was an expectation that the performance measurement of 85% would increase to over 90% as the transition issues had been dealt with and performance improved. However, it was currently not possible to meet the target of 85% with some employers already asking why this figure was not being met.

9. How did the 85% performance measurement compare with the benchmark? When the service was run by Mouchel the KPI targets were higher and CIPFA benchmark also used a higher performance measurement level than West Yorkshire. Officers suggested that this issue could be taken to the Collaboration Board to seek their view. The Board wished to see the CIPFA performance benchmark used in future.

10. The Board suggested that it might be in the interest of West Yorkshire to reduce some of the performance targets. Officers stated that the service had experienced a number of issues which had affected the performance measures including the problems with Serco and the transfer of data. The target of 85% was appropriate at the current time but when the service had had time to settle down it would be possible to increase the KPI targets.

The Board agreed that the performance targets should be taken to the Collaboration Board.

11. The customer survey measured satisfaction with the service at 80.34%.

12. 18,000 members had been issued with Life Certificates, 78% of the total. A Board Member stated that the use of Life Certificates was out dated and that it would be better to use Tracing firms. Officers stated that the issuing of Life Certificates was not expected to be an annual procedure and had proved beneficial on this occasion in view of the transition of systems and service providers.

13. What information were members being asked to declare on the Life Certificates as sometimes it was possible for signatures to change due to the aging process?

Officers stated that in addition to being asked to sign a declaration form and provide next of kin details, other ways were being used to determine if a member was still alive.

14. If a Life Certificate was returned that was not satisfactory what course of action was taken next and would payment be suspended? Officers stated that they did not know the answer to this question adding that the Life Certificates were returned to the Call Centre in the first instance and payment only suspended as a last resort.

15. Officers stated that there were 12,000 members who had not made any declaration of who should receive their benefit in the event of their death, and these members were contacted to complete the declaration forms. Officers stated that it was the responsibility of the Pension Fund to make a decision in connection with those cases where there had been issues involving the settlement of the death grant.

16. The Employer's Administration Forum had taken place on 16 June and 45 employers had attended. The next Forum would be arranged for November 2016.

17. A scheme members' meeting had been arranged at the New Life Centre, Lincoln for 23 November 2016 with a 10.15am start and 1.00pm finish.

18. 92% of annual benefit statements had been issued by the end of August 2016.

19. Concerns about the provision of valuation data information to Hymans caused by software problems and the poor information submitted by employers in connection with member data. Officers stated that procedures had been put in place to avoid the same issues occurring in the future.

20. The Board stated that there was a need to remind employers to get employee information to West Yorkshire as soon as possible. Officers stated that several other areas had been identified for future action including on-going work with the software provider, further work on providing missing information, work with employers and on-going cleansing of records.

21. Officers stated that LCC was addressing late leavers' notifications from Serco.

22. The Board expressed concern about a National LGPS framework agreement for the provision of third party administration services issued by Norfolk County Council and the fact that West Yorkshire Pension Fund (WYPF) had put in a submission to be included in the framework. Officers stated that getting on the framework did not mean that WYPF would automatically get new business. All it meant was that other Pension Funds could ask WYPF to provide pensions administration which would benefit the existing partnership between WYPF and the Lincolnshire Pension Fund in the long run.

23. Had Serco's service improved? Officers stated that matters had improved.

24. Had there been any issues in connection with contributions? Officers stated that contributions were satisfactory.

RESOLVED

That the verbal report, responses by officers to comments and the actions identified, be noted.

16 THE PENSION REGULATOR'S CODE OF PRACTICE

The Board received a report in connection with the checklist for the Pensions Regulator's (TPR) Code of Practice and how the Lincolnshire Pension Fund met the requirements.

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Comments made by the Board on the score dashboard detailed in the report and the responses of officers included:-

1. No. B10 (Assessment of Board Members' level of knowledge for their role on the Board) – officers agreed to send the self-assessment form to members.
2. No. B12 (Pension Regulator's toolkit for training on the Code of Practice No.14) – officers agreed to send members the link to this site.
3. No. F1 (Member Records) – officers stated that work continued with employers to improve the understanding of their responsibilities.
4. No's H1 and H3 (annual benefit statements to active members, deferred and credit members) – officers stated that the provision of statement to active and deferred members had not met 100% and had been logged in the breaches report. Continued monitoring would take place and processes were in place to improve the position for next year.
5. Officers stated that they would speak to Prudential to be updated when they sent their annual statements to members.

RESOLVED

That the checklist for the Pensions Regulator's (TPR) Code of Practice be noted and that the various actions identified be agreed.

17 PENSION FUND RISK REGISTER

The Board received a report in connection with the Pension Fund Risk Register. Officers stated that the Register had been in existence for a number of years and the necessary controls were in place to manage the risks. The highest risk identified was in connection with Brexit as there was still uncertainty about its effects.

Comments made by the Board and the responses of officers included:-

1. What were the risks in connection with No. 7 (Assets not enough to meet liabilities) – officers stated that the current position would become clearer as soon as the Fund's actuary had completed the valuation of the Fund. The valuation was carried out every three years and the necessary controls were in place.
2. No. 24 (Brexit) – impact on the Fund's investments as gilt yields were getting lower. Officers stated that the Fund had a long term perspective on its investments.

RESOLVED

That the report and comments made be noted.

18 PENSION FUND AUDIT AND GOVERNANCE REPORT

The Board received a tabled report from the Council's External Auditors, KPMG, which presented their findings of its recent Pension Fund Audit.

Officers stated that the risks identified in the report had been examined and the External Auditors were happy with how the County Council was dealing with them.

Following a request from the Board for KPMG to be invited to explain their assurances following the audit of the Pension Fund, officers agreed to invite KPMG to the next meeting of the Board on 15 December 2016.

RESOLVED

That the report be noted and that KPMG be invited to attend the next meeting of the Board on 15 December 2016.

19 VERBAL UPDATE ON ASSET POOLING

The Board received a verbal progress report in connection with the current position regarding asset pooling.

Issues highlighted included:-

1. Meetings involving asset service providers and Fund managers had been held.
2. A meeting had been held with the Fund's legal officers and arrangements were being made for the approval of a Joint Committee by the full Council in February 2017.
3. It was proposed to appoint two legal firms, one to act for the Pool and one to act on behalf of the Funds.
4. Various Groups had been established across the Pools to share information.
5. An official response to the Pool's submission was awaited from the Department of Communities and Local Government (DCLG) but verbal comments from the Department indicated that they were pleased with the submission.
6. Regulations in connection with pooling arrangements would shortly be issued by the DCLG.
7. A meeting of Pension Chairs (the Member Steering Group) from those Funds comprising the Border to Coast Pensions Partnership had been arranged for 29 and 30 September 2016.
8. £4.2m funding had been set aside for set up costs of the pooling arrangements and this would be met by the partner Funds.
9. The next stage was to get approval to various work streams by the Member Steering Group.
9. Jo Ray had been authorised to work on the arrangements for three days a week.
10. The proposals when finalised would bring long term savings, provide efficiencies and build resilience.

RESOLVED

That the progress report be noted.

20 TRAINING NEEDS

Officers stated that they would send the self-assessment form and the fundamentals training events details to Members.

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RESOLVED

That the various actions identified in connection with future training be actioned accordingly.

21 WORK PROGRAMME

Items identified for consideration in the Work Programme included:-

1. Attendance by KPMG at the next meeting of the Board on 15 December 2016 to explain their audit process of the Fund.
2. Analysis of the completed self-assessments and identification of any training needs for members arising from the assessments.
3. A further presentation by West Yorkshire on administrative matters associated with the Fund.
4. Update on the 2016 Valuation of the Fund.
5. Progress report on Pooling arrangements

The date and time of the next meeting was noted as 10.00am on Thursday 15 December 2016.

The meeting closed at 12.25 pm

Regulatory and Other Committee

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

Report to:	Lincolnshire Pension Board
Date:	15 December 2016
Subject:	External Audit - KPMG Presentation

Summary:

The Fund's external auditor, KPMG, has been invited to present to the Pension Board. The auditor will cover the background to the Pension Fund audit, their approach to the audit, and how they conduct it.

Recommendation(s):

That the Board note the report.

Background

1. A representative from KPMG, the Fund's external auditor, will present to the Pension Board on the Pension Fund audit process and background. KPMG will bring a presentation on the day.
2. KPMG have audited the Pension Fund accounts since 2013, having replaced the Audit Commission. The Pension Fund has always received an unqualified opinion on its accounts.

Conclusion

3. KPMG, as the Fund's external auditor, will present to the Pension Board. They have given an unqualified opinion on the Pension Fund Accounts for 2015/16.

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 Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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

Report to:	Lincolnshire Pension Board
Date:	15 December 2016
Subject:	Pensions Administration Update

Summary:

This paper updates the Pension Board on the pensions administration service, managed by West Yorkshire Pension Fund.

Recommendation(s):

That the Board note the report.

Background

1. Key Performance Indicators

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.

The table below shows the performance against key areas of work for the period 1 April 2016 to 31 October 2016 as measured against both the local indicators and the national CIPFA benchmarks.

Kpi's for the period 1.4.16 to 31.10 16 - LPF					
WORKTYPE	TOTAL_CASES	TARGET_DAYS_FOR_	TARGET_MET_	MINIUM_TARGET	TARGET MET PERCENT
Transfer In Quote	54	35	34	85	62.96
Transfer In Payment Received	23	35	17	85	73.91
Divorce Quote	95	35	91	85	95.79
Deferred Benefits Set Up on Leaving	355	10	232	85	65.35
Refund Quote	299	35	158	85	52.84
Refund Payment	175	10	173	85	98.86
Transfer Out Quote	95	35	31	85	32.63
Transfer Out Payment	19	35	16	85	84.21
Pension Estimate	651	10	514	85	78.96
Retirement Actual	332	3	322	85	96.99
Deferred Benefits Into Payment	391	5	366	85	93.61
Death Grant Single Payment	63	5	60	85	95.24
Initial letter acknowledging death of	329	5	325	85	98.78
Pension Estimate Fire	1	5	1	85	100.00
Change of Address	2284	20	2281	85	99.87
Life Certificate Received	9148	20	9046	85	98.89
Death Grant Nomination Received	6132	20	3794	85	61.87
Payroll Changes	139	20	139	85	100.00
Change to Bank Details	162	20	154	85	95.06
Death Notificatoin	329	5	325	85	98.78
Potential Spouse	22	10	21	85	95.45
AVC In-house (General)	152	10	141	85	92.76
Letter notifying amount of dependant's benefits	137	3	106	85	77.37
Initial Letter Death in Retirement	294	5	228	85	77.55
Initial Letter Death in Service	6	5	6	85	100.00
Initial Letter Death in Deferment	24	5	19	85	79.17

Some cases have again exceeded the target days as expected primarily as a result of the continued ripple effect of the new scheme regulations, particularly where cases have had to be stockpiled awaiting GAD Guidance. This has been particularly true of the Transfer procedures.

2. Employer activity between 1 March 2016 to 31 August 2016

Academy conversions:

	Effective Date
The Garth School	01/03/2016
The Priory School	01/03/2016
John Fielding Special School	01/03/2016
Spilsby Primary School	01/04/2016
Woodlands Academy	01/08/2016

New Prime Account Schools:

Whaplode Primary	01/04/2016
St Michaels Primary, Coningsby	01/04/2016
William Stukeley Primary, Holbeach	01/04/2016
Lacey Gardens Junior School, Louth	01/04/2016
St John the Baptist Primary, Spalding	01/04/2016
St Norberts Primary, Spalding	01/04/2016

Admitted employers:

GLL

01/04/2016

Cessation:

Education Development Trust

31/08/2016

Number of Employers in LPF

These changes to employers bring the total number of employers in LPF to 210.

3. Internal Dispute Resolution Procedures

All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered by the Pension Fund Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council. From 1 January 2016 to 30 June 2016 four Stage 1 appeals were received and there were a total of four Stage 2 appeals, as detailed below:

Jan 16 to June 16	Number of appeals	Outcomes	Details
STAGE 1	8		
AGAINST EMPLOYER	4	3 turned down	Member had been awarded an upgrade from Tier 3 to Tier 2 ill health pension but felt that this should have been backdated.
			Member appealed against employer decision to refuse to grant early release of deferred benefits. Appeal turned down as outside of time limit.
			Member appealed against employer decision to refuse to grant early release of deferred benefits and being misinformed that this would be possible.
		1 upheld	Member appealed against being turned down for payment of deferred pension on ill health grounds. As part of appeal process, member was reassessed and was awarded early release of pension.

AGAINST LPF	4	4 turned down	Member appealed against having to repay overpayment of pension.
			Widow of deceased member appealed against fund decision to pay death grant to the son and daughter of the member.
			Member wished to draw the whole of her pension rights as a lump sum payment and felt that WYPF retirement documentation had misled her in thinking she could do so.
			Member complained about the administration of processing her pension benefits and delays in concluding her award of benefits.
STAGE 2	4		
AGAINST EMPLOYER	4	3 turned down	Member had been provided with an estimate based on an incorrect higher pay figure. Resulting actual benefits were lower. Appeal turned down as the actual benefits were correct.
			Member had been provided with an estimate based on an incorrect higher pay figure. Resulting actual benefits were lower. Appeal turned down as the actual benefits were correct.
			Member appealed against being turned down for a late request to transfer in pension rights.
		1 referred back to scheme employer for reconsideration.	Member appealed against being turned down for a late request to transfer in pension rights. Referred back to scheme employer as the decision did now show any evidence of having met the requirements of the employers' discretionary policy.
AGAINST LPF	0		

The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRPs have been exhausted. From 1 January 2016 to 30 June 2016 the Pensions Ombudsman did not issue any determinations in respect of appeals or complaints made against the LPF.

4. Life Certificates

WYPF undertook an exercise from March 2016 to begin to issue Life certificates to all 18,000 pensioner members on a weekly basis, in month of birth order. The exercise is still ongoing, with good results and responses. The form which is sent out also gives the pensioner an opportunity to supply us with the names and addresses of up to two people, who we can contact if we should have difficulties in contacting the pensioner themselves. This is very useful where pensioners might move and don't tell us where they have gone.

5. National Fraud Initiative (NFI)

For the latest NFI exercise, we have included the data for around 29,000 deferred benefits cases, which have previously not been included. We are expecting the results shortly, and anticipate that there may be a lot of work produced from this category of members, possibly from a high number of deaths that we are unaware of.

6. Death Grant Nominations

WYPF sent out death grant nomination forms to 12,000 current scheme members where one wasn't present on their record. Having nomination details makes it easier and quicker to pay death grants in the event of a member's death. The forms returned mean we now have around 2/3rds of records with a nomination, and forms are still trickling into the office. We consider that the exercise has been a success.

As a result of this exercise, this month we have also sent nomination forms to all eligible pensioner members where there is no nomination on file. Currently, we have had around a 40% success rate and are still receiving forms on a daily basis.

7. Tell Us Once

The pension schemes version of Tell Us Once, which has been co-ordinated by the Local Government Association, is finally up and running. This expands the notification of registered deaths, collated by the Department of Work and Pensions, to pension schemes who register with the service. Since our registration, we have received an average of 44 death notifications per week (combination of WYPF and LPF).

This has the advantage of us being able to stop further pension payments being made more quickly than normally, and therefore cuts out much of the ongoing work which is caused by overpaying pensions after death.

8. Newsletters

At the end of September we sent out newsletters to Current, deferred and pensioner scheme members.

9. Current issues

Update on exit payment reforms

The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they return to public sector employment within 12 months, has been delayed.

The intention had been to implement the legislation in July 2016 to take effect in autumn this year. However, Parliament went into recess without the appropriate legislation being made. It remains the goal of the Government to implement the proposals in autumn. However, this will depend on how quickly the legislation can be made following the return of Parliament on 5 September. Parliamentary time in September appears to be limited given that there will be a further recess during the party conference season.

Consultation on tackling pension scams

In the Autumn Statement 2016, the Government announced that they plan to undertake a consultation before the end of the year on steps to tackle pension scams, including 'cold calling'. In addition, the consultation will contain options for giving schemes greater powers to block suspicious transfers.

Since 16 March 2015 we have been operating under a voluntary code of practice which was launched by the Pension Liberation Industry Group to combat pension scams. The code sets an industry standard for dealing with requests by members to transfer from a UK registered pension scheme to another registered pension scheme or a Qualifying Recognised Overseas Pension Scheme (QROPS). The code assists us to assess any potential pensions scam cases already, so it will be interesting to see how the new consultation might further strengthen the current efforts.

10. National LGPS Framework for Third Party Administration

On 8th August, the West Yorkshire Pension Fund submitted a tender document to become part of the National LGPS Framework. This is a multi-provider framework agreement for the provision of third party administration services for the Local Government Pension Scheme.

On 13th September we had a site visit by the officers and advisers on behalf of the National Framework, where we provided demonstrations of our systems and processes and were put through our paces with a question and answer session.

At the beginning of October we were given the news that we had been accepted to provide the Pension Administration Services – where we were one of only four successful applicants, and only one of two Local Authorities, and we were also accepted to provide Pension Administration Support Services.

We are very proud to be accepted onto the framework as the future of LGPS administration could well change if some of the reported suggestions come to fruition and potentially reduce the number of administrators. We feel that this puts us in a good position for any eventuality.

We also very much acknowledge that the hard work we have put into our partnership with the Lincolnshire Pension Fund is likely to have been recognised in this application and so we should share this success with you as well.

Conclusion

11. The performance of the administration service is continually improving, as the underlying data issues following the transition are corrected, the backlogs resulting from scheme changes are cleared and the employers are improving their monthly processes.

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 Grace Kitchen, who can be contacted on 01274 434999 or grace.kitchen@wypf.org.uk.

Regulatory and Other Committee

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

Report to:	Lincolnshire Pension Board
Date:	15 December 2016
Subject:	Valuation Update

Summary:

This paper updates the Pension Board on the Triennial Valuation process and results.

Recommendation(s):

That the Board note the report.

Background

1. As part of the Local Government Pension Scheme (LGPS), the Lincolnshire Pension Fund is required to undertake a valuation of the Fund's assets and liabilities every three years – this is called the Triennial Valuation. The purpose of the valuation is to understand the overall funding level of the Pension Fund (i.e. does it have enough assets to meet its liabilities), to understand the individual funding levels of each employer and to set the contribution rates for all the employers for the next three year period.
2. The Fund's appointed Actuary, Hymans Robertson, received the membership and cashflow data from the Fund as at 31st March 2016, and presented the draft Fund results to the Pensions Committee and Pension Board on 6th October. The initial Funding level for the Fund had improved from 71.5% funded to 76.5% funded.
3. At the October meeting, much debate was had on the basis used for calculating the liabilities, known as the "Gilts+" basis. Following additional information from the Actuary detailing the reasoning behind that approach, there were still concerns amongst both the Committee and the Board that this was the most appropriate approach in the current economic environment. However, after consideration it was agreed that Hymans would continue with their "Gilts+" approach for this valuation, but that further discussion on the most relevant approach should be had before the 2019 valuation.

4. The financial assumptions used to calculate the liabilities are shown below, and compared to the assumptions used at the 2013 valuation.

	31 Mar 2013 % p.a.	31 March 2016 % p.a.
Pre-retirement Discount Rate	4.6	4.0
Post-retirement Discount Rate	4.6	4.0
Salary Increases	3.8	2.6
Pension Increases/CARE Revaluation	2.5	2.1

5. 152 individual employer results were received in November, covering all employers/pools within the Fund at March 2016. An example employer draft results report is attached at appendix A. The tables on page 4 show the surplus/deficit at the 2013 and 2016 valuations, and the experience over the three year period to get from one to the other. The tables on page 5 show the current and required primary and secondary contribution rates. The generic employer results report, which accompanied the individual results, is attached at appendix B. These reports were sent to the strategic contacts for each employer in mid-November.
6. To assist employers understanding of their valuation results, two days of employer surgeries were held at County Offices. These days consisted of a presentation from the Actuary each day and bookable 15 minute appointments with the Fund Actuary and the Pension Fund Manager. Around 50 employers attended these events and feedback was very positive.
7. Overall, the results of the Valuation have been well received. Excluding the stabilised employers (the Councils and Police), the breakdown of rising or falling rates (compared to current rates) amongst the other groups of employers is shown below.

Establishment Type	No. Rising Rate	No. Falling Rate
Pre 2013 Academies/MAT's	31	52
Post 2013 Academies/MAT's	19	14
Colleges	4	2
Small Scheduled Bodies (pool)		1
Internal Drainage Boards	3	6
Admission Bodies	11	3

8. Employers have been asked to complete a declaration form confirming their payment of the agreed rates by 16th December. A handful of employers are considering alternative proposals, and these will be agreed by the end of January. Once all contributions have been agreed and declarations received, the Funding Strategy Statement will be finalised and sent for consultation to all employers. This will then be taken to the March Pensions Committees for approval, ahead of the 31st March 2017 deadline.

Conclusion

9. The Lincolnshire Pension Fund's triennial valuation has now been undertaken by Hymans Robertson. The overall funding position has improved by 6%, from 71% in March 2013 to 77% at March 2016, when assessed under the prudent "Gilts+" approach. Individual employers rates have been mixed, however a large number of employers have seen an improvement in their funding position, and lower contribution rates.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Employer Draft Results Report
Appendix B	LPF Employer Valuation Results Report

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.

Regulatory and Other Committee

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

Report to:	Lincolnshire Pension Board
Date:	15 December 2016
Subject:	Asset Pooling Update

Summary:

This paper updates the Pension Board on the latest activity with the asset pooling requirements.

Recommendation(s):

That the Board note the report.

Background

1. As previously reported, Border to Coast Pensions Partnership (BCPP) met the 15th July 2016 deadline for the final submission to DCLG. The expectation at the date of submission was that a response would be received by the end of September, to enable the already tight timetable included in the submission to be met.
2. Whilst awaiting this approval, work has continued to ensure that once it has been received, BCPP would be in a position to progress quickly.

CIPFA Guidance

3. CIPFA published guidance on Investment Pooling Governance Principles for Administering Authorities October 2016, this looked at the potential structure of any oversight body (the Joint Committee), how it should ensure it meets the governance principles set out in existing guidance and frameworks (including the Myners principles), and how existing governance structures could be adapted to meet the requirements with new pooling arrangements.

Investment Regulations

4. The long awaited Investment Regulations came into force on 1st November 2016. These contain the requirement for all Funds to pool assets as set out in the Guidance issued by the Secretary of State, and bring in the powers of intervention should such guidance not be followed.

Member Steering Group

5. Member Steering Group (MSG) meetings were held on 30th September and 18th November.
6. The September meeting agenda items were:
 - Feedback from Officers from the BCPP Officer Operations Group meetings and national working groups
 - Presentation from legal advisors (Eversheds) on next steps
 - Phase 3 project delivery, budget requirements and proposed next steps
 - Update on work towards proposed approach to asset structuring and next steps
7. The November meeting agenda items were:
 - Feedback from Officers from the BCPP Officer Operations Group meetings and national working groups
 - Update on Phase 3 Project Delivery
 - Update on executive search and remuneration
 - Update on Joint Committee membership following publication of CIPFA's guide "Investment Pooling/Governance Principles"
 - Responsible Investing Presentation
 - Update on work towards proposed approach to asset structuring and next steps
8. The next meeting of the MSG is to be arranged for January 2017.

S151 and Legal/Monitoring Officer Meetings

9. There have been two meetings of the Funds S151 and Legal/Monitoring officers, one on 5th September and one on 29th November.
10. The September meeting covered a review of what had been done so far and discussion about the next steps required, particularly from the Funds point of view. In particular this was about the process each Fund had to go through to get full council approval to create the Joint Committee structure and where the authority sat to buy a share in the Teckal company that would be created.
11. The November meeting received an update on BCPP progress and a presentation from Eversheds on the requirements to be FCA authorised and on the timetable and process for getting each Fund through the approvals required by each Authorities Full Council. It was acknowledged that the timetable was extremely tight, but that the implications of not meeting the deadline of March for all Funds to get reports through their Councils would be a potential three to six months added to the overall timetable, and therefore the likelihood of meeting the April 2018 deadline would be at risk.

12. Discussions were had about working together to prepare a number of documents/communications that could be used by all Funds to ensure a consistent message was given. Types of communications required would be a FAQ document for Council Members, briefing presentations for Members, information for scheme members and also employers.
13. An additional challenge that Administering Authorities have to consider is the County Council elections that will be taking place in May for a number of the partner Funds. This could potentially mean new Pension Committee members and/or new Chairs and therefore having to bring all new Committee Members up to speed in a short period of time.

Legal Advisors

14. At the September S151 and Legal/Monitoring Officer meeting, it was agreed that two legal advisors should be appointed, one to act on behalf of BCPP and one to act on behalf of the partner Funds. The ConsultancyOne Framework (a framework for government to buy consultancy services) was used to tender for the two services.
15. Two responses were received for the BCPP Legal Advisor and four were received for the Funds' Legal Advisor. Different groups evaluated and moderated these submissions, and two companies were awarded the contracts. At the time of writing this report the contracts award is in standstill period.
16. The initial role for the BCPP Legal Advisor is to draft the documents required to take through Full Council to get each Administering Authority to approve. These include the Shareholder Agreement, the Articles of Association and the Inter Authority Agreement. The Funds' Legal Advisor will then review these on behalf of the Funds to finalise them.
17. A meeting has been organised with both Legal Advisors for Monday 12th December for the Legal/Monitoring Officers and Fund representatives to discuss the initial documents. As mentioned in paragraph 11 above, the timetable for agreeing these documents and getting them to each Council is very tight.

Workstreams

18. In order to meet the project timetable of April 18, a detailed project plan has been created. Within this plan, three workstreams have been identified and dedicated resource has been approved across some of the partner funds.
19. The three workstreams and lead officers are:
 - Operating Model – Mark Lyon (East Riding) and Jo Ray (Lincolnshire)
 - People – Nick Orton (Durham) and Steve Barrett (SYPF)

- Governance and Monitoring – Phil Triggs (Surrey) and Tom Morrison (N Yorks)
20. In addition to the officers, each workstream has a Member Sub Group to work with.
21. The main responsibilities of each workstream are:

Operating Model

Procurement Advice & Implementation:
 Legal Advice
 Tax & Accounting
 Asset Servicing (Depositary / Custodian)
 Audit Services
 Bank
 FCA Compliance
 ICT
 Company set up
 Asset Structuring - Sub-Fund Offering
 Asset Transition
 Policy & Legal

People

Acquisition of Premises
 Recruitment and Remuneration
 Directors (Executive and Non Executive)
 Compliance Manager
 HR Policy and Procedures
 TUPE of existing staff
 Recruit Additional Staff

Governance and Monitoring

Establish Joint Committee (TOR, etc),
 Define Shareholder Reserved Matters,
 Approval by individual Funds to commit to participate in Joint Committee and acquire full shareholding,
 Confirmation TOR Officer Operations Group,
 Agree information requirements from BCPP to Funds on set up.

22. Officers have been very aware to ensure that any potential conflicts of interest are managed, and declarations are made at the beginning of each Officer and Member meeting. One example of this is in the work being done to look at the executive remuneration, where the officers working on this have declared no interest in a role in the new company. Other officers that might wish to apply for a role in the new company have left the meeting when remuneration has been discussed.

Asset Structuring

23. The initial asset structure for BCPP was set out in the July submission. Since then, this has been refined following discussions with Officers.
24. To ensure that the structure is fit for purpose, and aware that each Fund will be looking at its asset allocation following its valuation, the Investment Consultants and Independent Advisors from the partner funds were invited to one of two meetings to discuss the proposed asset structure of BCPP. Mark Lyon (East Riding Pension Fund), the workstream lead on the asset structure, talked them through the thinking behind the sub-funds that would be offered within BCPP. Generally the consultants and advisors were happy that the underlying asset allocations of their funds could be met with the sub-funds offered. It was understood that all sub-funds would not be available on day one, and that this was not set in stone, as requirements could change over the coming years.
25. Paul Potter (Hymans Robertson), the Lincolnshire Investment Consultant, attended one of the meetings and will present to the January Pensions Committee on his thoughts of the structure on offer, and how the Lincolnshire investment strategy will fit.

Government Approval

26. At the Cross Pool Collaboration Group (CPCG) meeting on 20th October, Teresa Clay from DCLG informed the group that the Minister wished to meet with all pools to discuss their submissions, before any approval was given. These meetings were expected to take place over the following four to six weeks.
27. The BCPP meeting was held on 24th November, and the pool was represented by the three officers that attended the original meeting with the Minister in June, three Chairs of the Pension Funds within BCPP and a S151 Officer. Feedback was very positive about the submission and the progress to date, and the main concern from Government was that we meet the April 2018 deadline. The response from BCPP was that as there had already been a two month delay in receiving any approval, the timescale was very difficult but that we were still working towards meeting it.
28. The expectation was that a letter of approval would be received very soon after the meeting, however at the time of writing this had not been received.
29. At this point in time, letters of approval have been received by the LGPS Central pool and the Wales pool.

BCPP Budget

30. To get BCPP to the final submission stage in July, an initial budget of £50k per fund was agreed in February 2016. This provided a total budget of £600k. Very little of this has actually been spent to date (approximately

£100k on advisory work) but the submission identified that to get the company into a position to manage assets from April 2018, the total cost may be as high as £4.2m across all 12 Funds (taken from figures provided by Deloitte). This figure included all set-up costs including staff, legal and professional, procurement, IT and infrastructure, regulatory costs for the operator (BCPP) and legal and professional costs for setting up the ACS structure. Taking account of the £50k already allocated, this requires approval from each Fund to spend up to another £300k to meet the cost requirements.

31. To ensure that funds are available when required and to meet the potential costs of the set-up of BCPP, it was requested at the October Pensions Committee 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 approve Pension Fund spend up to £350k (including the £50k already agreed). This was conditional on approval being received from Government on the pooling proposal.
32. All other partner funds have gained similar approvals for the total budget.

Conclusion

33. Work continues

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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