



LGPS LOCAL PENSION BOARD

TUESDAY, 25 JULY 2017 at 2.00 PM

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 Members' Interests	
3	Minutes of the previous meeting of the LGPS Local Pensions Board held on 15 March 2017	3 - 8
4	Pensions Administration Report <i>(To receive a report by Jo Ray, Pension Fund Manager, which provides a quarterly update by West Yorkshire Pension Fund on the current administration issues. West Yorkshire Pension Fund representatives will also be in attendance to present an update on the Internal Dispute Resolution Process (IDRP) and complaints process in respect of the Pensions Administration service)</i>	9 - 32
5	Pension Fund Update Report <i>(To receive a report by Jo Ray, Pension Fund Manager, which provides an update on Pension Fund matters including any current issues)</i>	33 - 46

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| 6 | Lincolnshire Pension Fund Policies Review
<i>(To receive a report by Jo Ray, Pension Fund Manager, which presents the main policies of the Pension Fund for review by the Board)</i> | 47 - 84 |
| 7 | Internal Audit of the Pension Fund
<i>(To receive a report by Jo Ray, Pension Fund Manager, which presents information on the internal audits undertaken over recent years on the Lincolnshire Pension Fund and on the administration service provided by West Yorkshire Pension Fund (WYPF))</i> | 85 - 96 |
| 8 | Review and Evaluation of the Pension Board
<i>(To receive a report by Jo Ray, Pension Fund Manager, which provides the Board with an opportunity to review and evaluate the work it has undertaken since its inception in July 2015)</i> | 97 - 108 |
| 9 | Training Needs
<i>(This is a standard agenda item which is considered at every meeting of the Board)</i> | Verbal
Report |
| 10 | Work Programme
<i>(This item provides an opportunity for the Board to consider the business for consideration at forthcoming meetings)</i> | Verbal
Report |

Published on Monday, 17 July 2017

Should you have any queries on the arrangements for this meeting, please contact Andrea Brown via telephone 01522 553787 or alternatively via email at andrea.brown@lincolnshire.gov.uk



LGPS LOCAL PENSION BOARD 15 MARCH 2017

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington

Scheme Member Representatives: Ian Crowther and David Vickers

Officers in attendance:-

Nick Rouse (Investment Manager), Catherine Wilman (Democratic Services Officer), Kaele Pilcher (Pension Fund Representative, WYPF) and Jon Haw (Senior Finance Technician)

31 APOLOGIES FOR ABSENCE

Apologies were received from Kirsty McGauley (Employer Representative).

32 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M A Whittington declared that his wife was in receipt of a pension from the Fund.

33 MINUTES OF THE PREVIOUS MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 15 DECEMBER 2016

RESOLVED

The minutes of the meeting held on 15 December 2016 were approved as a correct record and signed by the Chairman.

34 PENSIONS ADMINISTRATION PRESENTATION - EMPLOYER ENGAGEMENT

The Board received a presentation from Kaele Pilcher, Pensions Fund Representative at West Yorkshire Pension Fund WYPF.

During the presentation, the following points were noted:

- Kaele Pilcher was now located full time in Lincolnshire, having previously split her time between Lincoln and Bradford where WYPF was based. She did however still visit the Bradford offices once every two weeks;

- Her team of Pension Fund Representatives organised Employer Workshops to inform employers and help with issues. These were moved around the county and those held in Bradford took the same format;
- Serco had been invited to attend an Employer Workshop however they'd made it clear that they did not wish to be there. Kaele explained that in the past there had been an unsettled relationship with Mouchel (Serco's predecessor) who had refused the offer of pensions training from Kaele's team and despite once having regular meetings with Serco, these had slowly reduced in frequency. This may be due to a mostly new team in post;
- Serco had improved on their monthly returns, however there was still room for improvement. There had, however, been no more late payments;
- Employer Work Trays had been devised to assist in getting benefit statements processed and would be rolled out to all employers this year;
- Lincolnshire's first employer event had been held on 23 March 2017, however it had been poorly attended. It was felt this was due to the event being the first of its kind in Lincolnshire, and also the topography of the county being a bigger and rural area than some;
- As Kaele had been in post for over 20 years, issues were raised regarding the experience and knowledge that would be lost if she left or retired from her role. Any replacement would not be able to work in Lincoln and be based in Bradford.

RESOLVED

That the presentation and report be noted.

35 PENSION BOARD TRAINING REQUIREMENTS

Consideration was given to a report which set out the training requirements previously identified by the Board, following the completion of the CIPFA self-assessment.

The report set out areas felt where additional training was required and the following points were noted:

- Pensions Legislation – needs in this area could be dealt with as the work of the Board progressed;
- Pensions Governance – again, this could be kept up to date through the work of the Board;
- Pensions Administration – this area could be assisted by the Committee's pensions administration update report being shared with the Board, and also with assistance from WYPF;
- Pensions Services Procurement and Relationship Management – as this was not currently relevant, it could be overlooked for now;
- Investment Performance and Risk Management – this related to how asset allocation was undertaken and how performance could be monitored – the Board discussed the possibility of getting an investment fund manager to

come and present to the Board on certain issues. There would be no fee for this except expenses incurred by the presenter;

- Understanding of workings of financial markets – this could also be covered by an investment fund manager.

Nick Rouse would check to see if any members of the Board were still to complete The Pensions Regulator Toolkit.

In conclusion, the training needs agreed were:

- for Ian Crowther to undertake the LGA fundamentals course;
- for the Pensions Committee and the Pensions Board to be given a presentation by a pension fund manager, likely to take place in September once the new committee had been appointed following the elections; and
- a presentation on accounting and audit standards, with a possibility of this taking place in July 2017.

RESOLVED

That the report and identified training needs be noted.

36 ASSET POOLING UPDATE

The Board considered a report which provided an update on the latest activity with the asset pooling requirements.

It was reported that at its meeting on 24 February 2017, the Full Council unanimously approved that the Border to Coast Pensions Partnership be adopted as the Council's chosen approach to meet the asset pooling requirements. It also gave unanimous approval to the other recommendations as set out in the report.

There was discussion regarding the recruitment of executives within the BCPP and their potential salaries which would be in line with other positions of a similar level in private investment companies. It was suggested that the Council's Communications Team prepare a release regarding this should any enquiries be received. It was agreed that Karen Spencer would be made aware of the situation and all details.

It was reported that around 60 members of staff would be needed to fully staff the BCPP, which would be a public employer, with offices located in Leeds. Some staff may be transferred under the regulations of TUPE, as many councils already had in-house investment teams.

The Board agreed that they would be interested in seeing a comparison of costs from before BCPP and then from after its operation is settled.

There was discussion regarding scheme member representation on the Joint Committee of the BCPP, following the receipt of a letter from the chair of the Tyne and Wear Local Pension Board which had suggested that there should be a person to represent the interests of scheme members at pool level. A similar question had

**LGPS LOCAL PENSION BOARD
15 MARCH 2017**

been asked by Andy Antcliff, Employee Representative of the Pensions Committee at its recent meeting. Both the Chairman of the Board and the Chairman of the Committee had agreed that a scheme member representative was better suited to assist members at committee and board level where member issues were discussed, rather than where the investments would be managed.

Ian Crowther, Employee Representative on the Board requested if a ruling on the issue could be delayed while he discussed the matter with Andy Antcliff.

In addition, Nick Rouse agreed to acquire information on the role of the Joint Committee and disseminate it to the Board.

RESOLVED

1. That the report be noted;
2. That the consideration of the correspondence on scheme member representation on the BCPP's Joint Committee be delayed for Board and Committee Employee Representatives to discuss the issue.

37 VALUATION UPDATE AND FUNDING STRATEGY STATEMENT

Consideration was given to a report which updated the Board on the results of the Triennial Valuation and provided the draft Funding Strategy Statement for information. During the valuation process, it was reported that 178 employers had provided returns.

As each actuary used a different funding formula for calculating valuations, it was reported that the formula used by the Fund's actuary Hymans, was fairly conservative.

The draft Funding Strategy Statement was discussed and it was noted that this document had been approved by the Pensions Committee at its meeting on 8 March 2017.

It was highlighted that the Statement contained different approaches used for different types of employers. These were detailed in the report.

RESOLVED

That the Draft Funding Strategy Statement and Valuation Update be noted.

38 LINCOLNSHIRE PENSION FUND INVESTMENT STRATEGY STATEMENT

The Board considered the Investment Strategy Statement (ISS) which had been approved by the Pensions Committee at its meeting on 8 March 2017. The ISS replaced the Statement of Investment Principles and was required to be reviewed at least every three years.

It was noted that Myner's Principles had been incorporated into the new Investment Strategy Statement.

RESOLVED

That the Investment Strategy Statement be noted.

39 TPR CHECKLIST UPDATE REPORT

Consideration was given to a report which provided an update on the Lincolnshire Pension Fund's performance against The Pension Regulator's Checklist.

The areas that were not fully completed or compliant were listed in the report and the following points were noted:

- B10 & B12 Knowledge and Understanding –currently amber, however these areas would change to green once all training had been completed;
- F1 Maintaining Accurate Member Data – this was amber due to historical data issues. This was a work in progress which West Yorkshire Pension Fund was dealing with and would be changed to green in time;
- H1 Maintaining Contributions – the total figure for the issue of annual benefit statements this year was over 90%. Nick Rouse to find out if it should be at 100%.

It was noted that the Fund had performed well in achieving so many green statuses within the checklist.

RESOLVED

That the report be noted.

40 PENSION BOARD DRAFT ANNUAL REPORT

Consideration was given to the Pension Board Draft Annual Report which had been written by the Chairman.

The Chairman welcomed comments from the Board on the Report and it was agreed that comments be emailed to the Chairman. Once received and considered, an updated Report would be emailed to the Board members.

The Board discussed future items for consideration and the following were noted:

- WYPF Administration Update & Complaints;
- Asset Pooling Update (to be a standing item);
- Internal Audit Report (possibility of a presentation);
- Annual Policy Review;

6

LGPS LOCAL PENSION BOARD

15 MARCH 2017

- Training needs;
- TPR Checklist update (Autumn 2017 meeting);
- Ethical investment (future meeting).

RESOLVED

1. That the Draft Annual Report be noted;
2. That the proposed work programme be noted.

The meeting closed at 12.45 pm

Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Pensions Administration Report

Summary:

This is the quarterly report written by the Fund's pension administrator, West Yorkshire Pension Fund, to update the Board on current administration issues. As requested by the Board, Representatives of WYPF will present to the Board on the Internal Dispute Resolution Process (IDRP) and complaints process followed, in respect of the Pensions Administration service.

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 February 2017 to 31 May 2017.

LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	165	35	162	85	98.18
Transfer In Payment Received	130	35	128	85	98.46
Divorce Quote	215	35	214	85	99.53

Divorce Settlement – Pension Sharing order Implemented	11	80	11	100	100.00
Deferred Benefits Set Up on Leaving	1610	10	1190	85	73.91
Refund Quote	503	35	485	85	96.42
Refund Payment	888	10	885	95	99.66
Transfer Out Quote	137	35	132	85	96.35
Transfer Out Payment	73	35	73	85	100.00
Pension Estimate	2922	10	2784	75	95.28
Retirement Actual	1100	3	1051	90	95.55
Deferred Benefits Into Payment Actual	890	5	861	90	96.74
Death Grant Single Payment	338	5	332	90	98.22
Payment of Beneficiary Pension	384	5	349	85	90.88
Potential Spouse Pension Enquiry	74	10	63	85	85.14
Initial letter acknowledging death	1132	5	1113	85	98.32
Change of Address	3659	20	3650	85	99.75
Life Certificate Received	4957	20	4901	85	98.87
Death Grant Nomination Received	3940	20	3924	65	99.59
Payroll Changes	2284	5	2231	90	97.68
Change to Bank Details	845	5	725	90	85.80
Death Notification	1132	5	1113	90	98.32
AVC In-house (General)	586	10	573	85	97.78
Initial Letter Death in Retirement	685	5	602	85	87.88
LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Initial Letter Death in Service	19	5	19	85	100.00
Initial Letter Death in Deferment	39	5	34	85	87.17
Deferred Benefits Into Payment Quote	555	35	502	85	90.45

Retirement Quote	1041	10	927	85	89.05
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Reasons for underperforming KPI's:

Deferred Benefits set up on leaving	Given low priority due to volumes. Members are however, informed in writing that they will receive details of their benefits as soon as possible.
Change to Bank Details	120 cases done outside time limit of 5 days, however they were all actioned before payroll was processed so payments were paid to the correct bank account.

2.0 Scheme Information

2.1 Membership numbers as at 28 June 2017 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,872	26,737	3,263	19,463	2,025

Councillors	9	34	0	40	-
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Totals	24,881	26,771	3,263	19,503	2,025
Change	+62	-144	+144	+350	+101

2.2 Age Profile of the Scheme

Status	Age Groups												TOTAL
	U 20	20- 25	26- 30	31- 35	36- 40	41- 45	46- 50	51- 55	56- 60	61-65	66- 70	70+	
Active	436	1745	1643	2198	2600	3484	4351	3887	2850	1399	239	40	24872
Beneficiary Pensioner	88	44	2	1	4	18	42	71	128	237	305	1495	2435
Deferred	1	441	1501	2065	2188	3339	5326	6056	4577	1158	34	9	26695
Deferred Ex Spouse	0	0	0	0	3	1	10	13	10	1	0	0	38
Pensioner	0	0	2	0	6	20	42	109	1086	4383	5027	6336	17011
Pensioner Deferred	0	0	0	0	0	0	1	0	2	1	0	0	4
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	2	8	4	3	17
Preserved Refund	40	153	96	121	162	226	309	322	261	169	116	50	2025

January to March 2016	April to June 2016	July to September 2016	October to December 2016	January to March 2017
80.34%	80.71%	79.55%	77.22%	87.07%

Appendix 1 shows full responses.

3.2 Employers Survey

WYPF undertake an annual survey amongst the Employers to gauge the level of satisfaction by the service provided by WYPF and also to identify any areas for improvement.

Appendix 2 shows full responses.

3.3 Employer Feedback from workshops

Two workshops were held in the last quarter:

Pensionable Pay

A complete guide to administration

Feedback from participants is shown at Appendix 3.

4.0 Internal Disputes Resolution Procedures

- 4.1 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 the Pension Fund Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council. From 1 February 2017 to 31 May 2017 seven Stage 1 appeals were received and there were a total of two Stage 2 appeals, as detailed below:

1 February 17 to 31 May 17	Number of appeals	Outcomes	Details
STAGE 1	7		
AGAINST EMPLOYER	5	2 turned down	

		Turned down	Member appealed against being turned down for payment of deferred benefits on ill health grounds.
		Turned down	Appeal against being refused an ill health pension.
AGAINST LPF	2	1 turned down and 1 upheld.	
		Turned down	Appeal against refusal to offer transfer out of benefits.
		Upheld	Appeal against service used in benefit calculation. Extra service granted.
STAGE 2	2		
AGAINST EMPLOYER	1	Turned down	Appeal against refusal to offer transfer out of benefits.
AGAINST LPF	1	Referred for another medical appointment	Appeal against refusal to pay deferred benefit on ill health grounds.

4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRP have been exhausted. From 1 February 2017 to 31 May 2017 there was one appeal regarding the non-payment of a pension to a partner. We are awaiting a decision from the Pensions Ombudsman.

5.0 Administration Update

5.1 Life Certificates were issued to 16,671 pensioner members, 16,323 have been returned representing 97.91%. 12 pensions were suspended due to non-return of the life certificates. 49 pensions are currently paid to deposit accounts whilst further enquiries are being made.

5.2 Annual Benefit Statements - ABS production has started with 8,252 statements produced and printed (35.4%) to date.

6.0 Current Issues

6.1 Publication of new transfer factor suite
Following the updates made to the Club memorandum in February 2017 (effective 1 March 2017), DCLG issued an updated transfer factors suite for the LGPS in England & Wales on 23 March.

6.2 Tax on interest for late payment of pension benefits

LGA have advised that although such payments are subject to income tax, administering authorities must not deduct this tax (because section 371 Income Tax (Trading and Other Income) Act 2005 places liability for income tax charged on interest on the person receiving or entitled to the interest). Instead, administering authorities must advise the member that they are responsible for accounting for the tax on the interest payment themselves and, accordingly, they should declare the payment to HMRC.

6.3 Annual update bulletin and maximum additional pension

On 22 March, the LGPC Secretariat published the 2017 annual update bulletin (bulletin 155) which sets out the rates and bands applicable from April 2017 for various purposes.

It should be noted that the maximum additional pension that may be bought by, or on behalf of, an individual under regulation 16 of both the LGPS Regulations 2013 and the LGPS (Scotland) Regulations 2014 is not changing in April 2017. This is a consequence of last year's pensions increase applying at a rate of 0%.

The additional pension limit will therefore remain:

- £6,755 for the 2017/18 scheme year for the LGPS in England and Wales, and
- £6,500 for the 2017/18 scheme year for the LGPS in Scotland.

6.4 Exit payment cap – Enterprise Act 2016 commencement order

On 24th January, HM Treasury issued SI2017/70, the Enterprise Act 2016 (Commencement No. 2) Regulations 2017, effective from 1st February 2017.

The regulations commence certain parts of the Enterprise Act 2016 including changes to the Small Business, Enterprise and Employment Act 2015, which enable the £95k exit payment cap to be introduced. However, the commencement order does not itself bring the exit payment cap into effect, but merely allows the Government to make regulations providing for the introduction of the cap.

The LGPC Secretariat remain of the understanding that HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

6.5 Overseas Transfer charge

In the Spring Budget 2017, the Government announced the introduction of an overseas transfer charge. This charge is intended to support the government's objective of promoting fairness in the tax system. It continues to allow overseas transfers from registered pension schemes that have had UK tax relief, that are made when people leave the UK and take their pension savings with them to their new country of residence.

The new measure ensures that transfers to QROPS (Qualifying Recognised Overseas Pension Schemes) requested on or after 9 March 2017 will be subject to a 25% overseas transfers charge unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer. If this is not the case and/or the individual does not provide the necessary information, the overseas transfers charge will apply.

It also widens the scope of UK taxing provisions so that, following a relevant transfer to a QROPS on or after 9 March 2017, the overseas transfer charge may apply to an onward transfer payment out of those funds (on or after 6 April 2017) in the five full tax years after the date of the original transfer, regardless of where the individual is resident.

6.6 2016 LGPS annual report

The 2016 annual report for the English and Welsh scheme has been published.

The report is foremost a compilation of each of the 91 funds' individual reports. However, the report also includes analysis of scheme trends at a national level and, this year, a summary of the 2016 fund valuations.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- The total assets of the LGPS held at £217bn. These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (6.5%).
- The net return on investment over 2015/2016 was +0.1% compared with +12.1% in 2015. The 2016 figure reflecting less favourable market conditions than in 2015.
- The scheme remained in a cash-flow positive position in 2016, including investment income.
- As at 31 March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%, increased from 79% at 31 March 2013. The increase in the funding level means there was an overall reduction in the cash deficit from £47bn in 2013 to £37bn in 2016.

The full report is available at www.lgpsboard.org under Scheme Annual Report 2016.

6.7 Publication of PwC academies report

The SABEW (Scheme Advisory Board for England and Wales) have published the PwC report, "Options for Academies in the LGPS", on their

website. The report was commissioned by the SABEW in 2016 to look into the issues associated with the participation of academies in the LGPS.

Publication of the report will enable the Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change.

6.8 Launch of pensions dashboard prototype

As reported previously, in the 2016 Budget the Government announced that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard', a tool that would allow individuals to view all their pensions savings in one place.

In Autumn 2016, HM Treasury appointed the Association of British Insurers (ABI) to lead the development of a prototype pensions dashboard by the end of spring 2017. A project group was created to assist the ABI with this.

During April and May, the project group have launched the prototype at a number of events held around the country. A website has also been set up to demonstrate the prototype and how it works - <https://pensionsdashboardproject.uk/>.

Whilst the prototype demonstrates that the Dashboard is possible from an IT perspective, the major questions regarding the Dashboard remain outstanding, including:

- Mandation – will legislation be issued that requires pension schemes to participate?
- Funding – how will the costs of establishing and maintaining the Dashboard be met?
- Data – what data will members be able to find on the Dashboard and what will be the security arrangements to ensure the data is not compromised?
- Governance – who will regulate the Dashboard on an ongoing basis?

On 17 May, the ABI announced an interim phase of the Dashboard project in order that this does not lose momentum whilst the general election is taking place. The interim phase has four main aims:

- To establish a cost benefit analysis for the wider industry.
- To research customer needs and establish what features people are likely to find most useful in a dashboard.
- To establish the requirements and costs for a secure end-to-end service between data providers and data consumers.
- To further develop the technical data standards for all firms and work with PASA (the Pensions Administration Standards Association) on

agreeing a Code of Conduct in line with requirements from The Pensions Regulator.

7.0 Finance

7.1 Cost per member

Shared service cost per member 2016/17 £13.76 (£15.45 for 2017/18 initial budget)

The shared service pension admin cost per member of £13.76 has been used to recharge LPF. Our cost target for shared service pension admin is to maintain a cost target of £17. The initial budget for 2017/18 Pension Admin shared services of £8.86m less £0.5m contingency will give us a projected cost of £14.91 per member for 2017/18. Our projected cost per member is below our target cost of £17.

8. News

8.1 Awards

WYPF were winners of the Best DB Scheme Innovation award at the Professional Pensions Pension Scheme of the Year Awards held on 27 June in London. WYPF were also shortlisted in the following categories:

Best Administration
Best DB Communications
Public sector Scheme of the Year
Trustee Development
Best Administration

9 Presentation from WYPF

9.1 Tracy Weaver and Omaira Deen, representatives from the WYPF Technical Services Team, will present to the Board on the Internal Dispute Resolution Process (IDRP) and complaints process followed, in respect of the Pensions Administration service.

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.

Appendices

These are listed below and attached at the back of the report	
Appendix 1	Customer Survey Results
Appendix 2	Employers Survey
Appendix 3	Feedback Summary

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this 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 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 January to 31st March 2017)

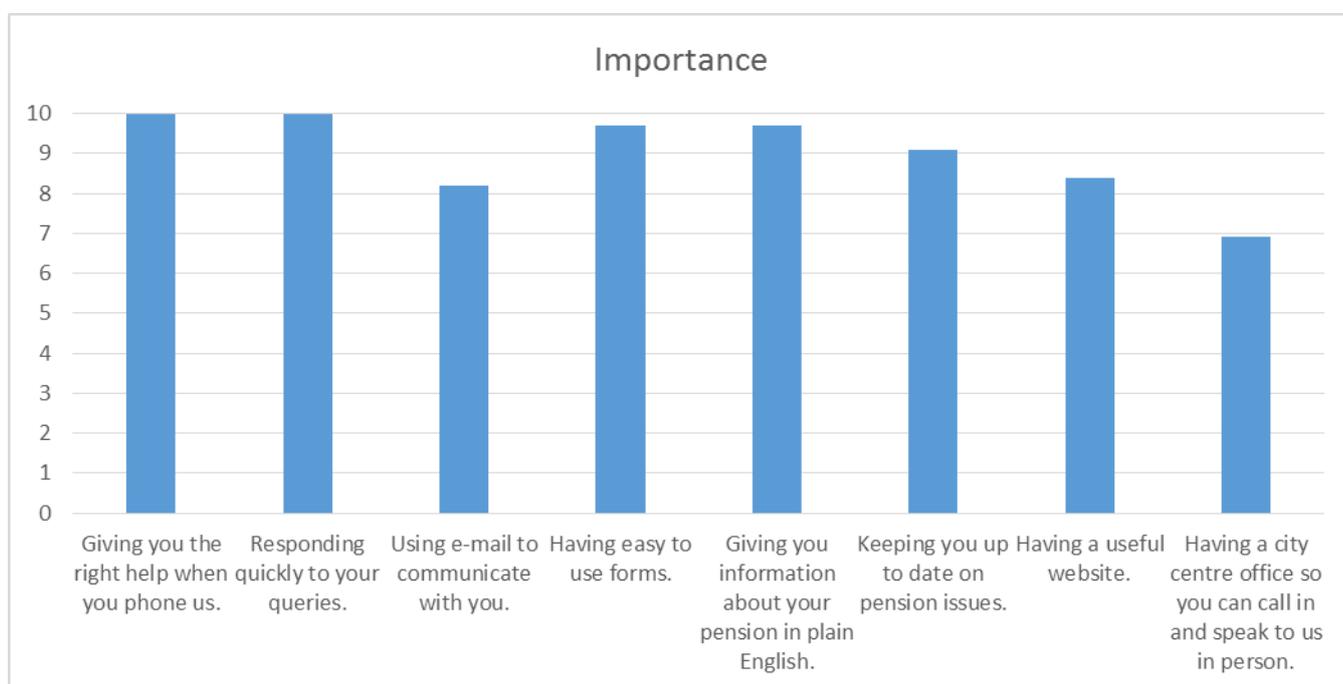
Over the quarter January to March we received **3** online customer responses.

Over the quarter January to March **87** Lincolnshire member's sample survey letters were sent out and **12 (13.79%)** returned:

Overall Customer Satisfaction Score;

January to March 2016	April to June 2016	July to September 2016	October to December 2016	January to March 2017
80.34%	80.71%	79.55%	77.22%	87.07%

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



Sample of positive comments:

Member Number	Comments
8044247	Always a named person to contact-usually same person each time which is very important to me. Very good service, always got answer to any question I have.
815224	Excellent as I would expect from a well trained organisation. Been a boon since having retired to know that I can trust local people to look after the pension and not the thieving magpies of parliament.
8045283	I was very pleased with the outcome. Very good, very helpful

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
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None		
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LPF employer survey 2017

Priorities for improvement (PFIs)

Purpose

To identify areas of WYPF service with employers that could be improved.

Sample

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Results

Replies received: 72
Overall result: 83.42%

A summary of previous year's results are in appendix A

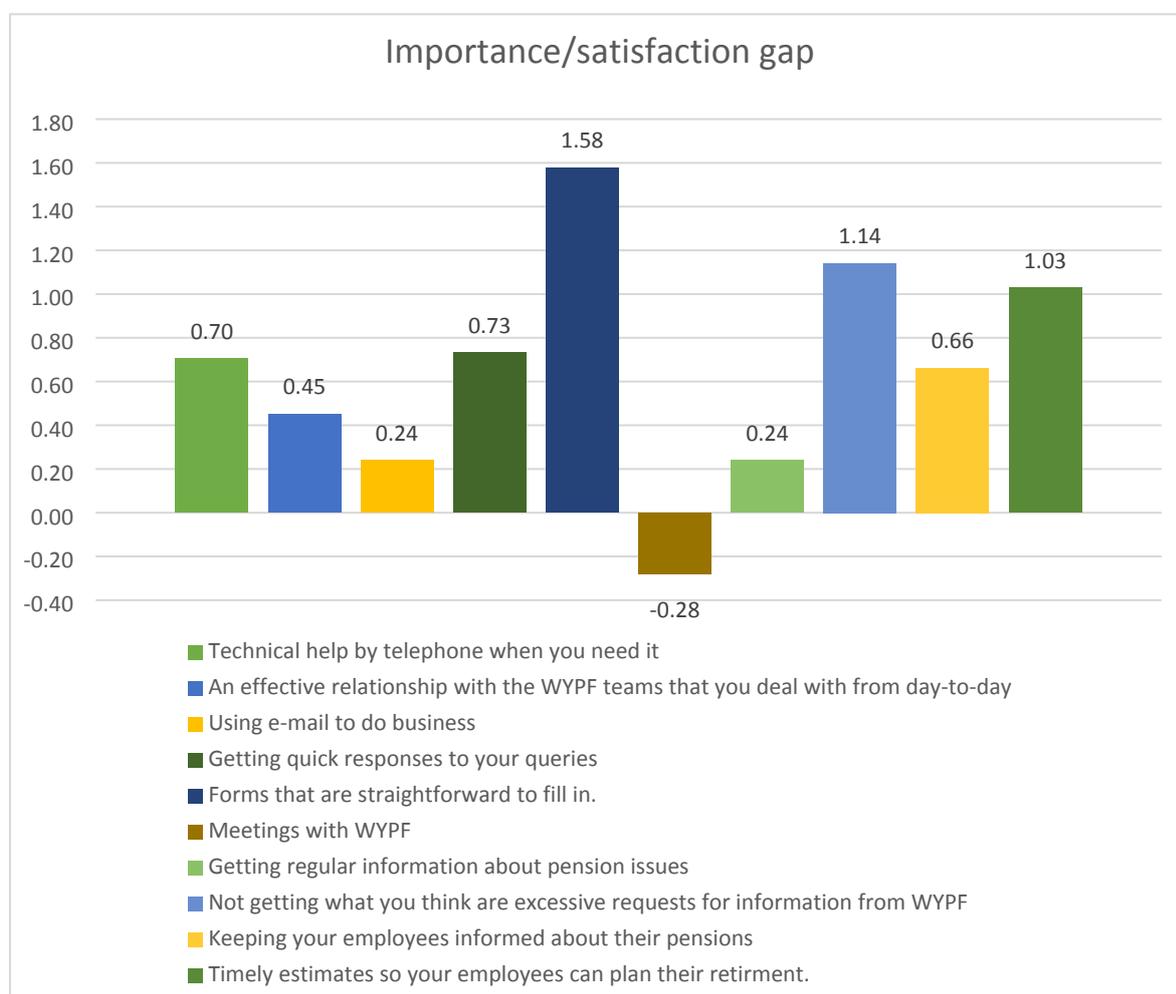


Importance/satisfaction gap

Plotting the gap between the score for how important an area is to the customer against how satisfied they are with our performance allows the identification of the largest gaps quite easily.

Normally a greater gain in customer satisfaction will be achieved by closing a large gap rather than a small gap.

On a 10 point scale any satisfaction gap above 1 is a point of concern and gaps on excess of 2 are serious.



Comments

Any comments you would like to add?

Have rated some highly but have not needed the service.

The one criticism I have is the forms you have. It was a long and laborious process to get myself and my colleagues registered with the right access to the WYPF, seemingly filling the same form in many times. It was a nightmare and you need to look at this. Apart from that the service has been excellent.

Well done, good service

Above taken from employee feedback who recently retired.

It would be good to get acknowledgements of pension estimates that are requested with an estimated timescale for a response.

Generally very pleased with service. Most staff extremely helpful and knowledgeable.

Thank you I am very satisfied with the service from WYPF

I have often rang into the main switchboard for the pension's team and could not get to speak to someone at that time. I left a message for a return call but often this doesn't happen and i have to call again.

WYPF tend to send a lot of emails with queries, when the queries are dealt with, we get another email with another query for the same person. Sometimes when you phone up for advice i.e. refund of APC's not only do WYPF pension officers give the incorrect advice that could've potentially got us into an issue with HMRC. We also have had more employees this year come to our department saying i phoned pensions and they said to contact the employer. We as an employer are not pension experts, we do payroll. Just as WYPF are not payroll professional you advise on Pensions, our link contact is brilliant and always willing to help. Overall the service is good, however, the above issues are some faced in the past tax year. From when WYPF took over and we went to the presentation it was said that everything will be done on a monthly form, admin will be easier, however, we have yet to see advances in this yet.

Please pass on thanks to your 'front line' staff who have to deal with people like me who don't do pensions all day and struggle to cope with what are probably very easy tasks! They are always patient and help with step by step instructions to deal with any queries.

Website not 100% user friendly

We are a very small employer and therefore have little day to day contact with the teams, however it is extra important to know that the service is available readily with the expert knowledge.

Our PFR is not client focused or friendly towards us a HR/payroll providers. They appear to think that the only organisation of importance is WYPF rather than us all working together to make sure staff pensions are paid correctly.

Staff don't seem to know much about their pensions. Kaele has offered to come out and hold a briefing session

Our relationship with WYPF got off to a very rocky start and there are still a number of queries that are outstanding. Recently this has been improving. However, I find

the portal hard to use, the forms complex and very difficult to complete and I think that more help in this area would be an excellent idea.

I understand that WYPF have a backlog and this is creating us issues and our staff, when will this be resolved. We have streamlined our processes to make sure we get timely information to WYPF only to understand they are not touching it for months. The employees think this is an issue with us but we have done all we can.

Feedback from employee

Portal can be a little difficult to navigate and can sometimes kick you out/error whilst you are trying to update forms. Believe WYPF are due to come see EPM soon though to resolve this.

I have only been working with the fund for 2 months, so difficult to judge

I'm a new user so have yet to fully experience your service.

In my experience the support of the WYPF has been very helpful. They are always willing and prepared to talk through a complex pension processes as one builds and understanding of the requirements.

Scores of 5 are where I have not made use of the service

How would you sum up WYPF's service in one sentence?

Importance

Excellent

Professional and responsive

Friendly, efficient & informative

Solid performance - just what we need!

Professional and proactive

I think that the service and communication I have experienced has been very good

The WYPF/LFP's service is excellent.

Always putting employer & employees needs first

WYPF/LPF provide an effective service

Good

It seems to work well.

Excellent, efficient people who are nice to work with.

Dealing with staff at WYPF has made my job easier, as they dealt were professional and efficient

Professional

Excellent

User friendly website and help always at the end of the phone
Very efficient service and excellent response times to queries
Very helpful service
Professional, but sometimes there is a delay to queries
Helpful when I have contacted them and workshops useful
It's been a learning curve since the transfer to WYPF, but things are improving.
Very helpful and keep me on track with our responsibilities
Excellent
Excellent!
First class
Could be far more understanding of how schools/providers actually operate.
Whoever I have spoken with at WYPF have been extremely helpful
Very pleased with the customer service however still find the website/portal difficult to navigate
Good
A work in progress.
Work in progress
A very professional service.
Knowledgeable and efficient
Efficient and informative together with being swift to respond to questions
The service from WYPF/LPF's is second to none
Good
Satisfactory
Good
Good.
Adequate
Excellent
Always helpful with efficient and effective guidance
WYPF representatives are always willing to help no matter how incompetent the question!
Good so far.
A user friendly and very helpful service.
Very Good
Excellent
Training sessions this year have been extremely helpful
On the whole accessible and responsive to our needs.

Acceptable but customer service could be better.

Appendix A – Summary of results Lincolnshire Pension Fund

Summary of results Lincolnshire Pension Fund	2016		2017	
	Rank	Score	Rank	Score
Technical help by telephone when you need it	8	-0.08	5	0.70
An effective relationship with the WYPF teams that you deal with from day-to-day	4	0.23	7	0.45
Using e-mail to do business	9	-0.15	8	0.24
Getting quick responses to your queries	3	0.31	4	0.73
Forms that are straightforward to fill in.	<u>1</u>	<u>0.85</u>	<u>1</u>	<u>1.58</u>
Meetings with WYPF	10	-1.00	10	-0.28
Getting regular information about pension issues	2	0.38	8	0.24
Not getting what you think are excessive requests for information from WYPF	5	0.23	2	1.14
Keeping your employees informed about their pensions	7	0.00	6	0.66
Timely estimates so your employees can plan their retirement.	6	0.08	3	1.03
Satisfaction Score (%)	91.47		83.42	
Number of replies	12		71	

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**Employer Feedback (LPF)
Quarter 1 January – March 2017**

Pensionable Pay – 18 January 2017

Feedback score: 97.84%

Comment	Action taken
More time on exercises please	Noted with course owner
There is an assumption about level of ability to do calc's	We are trialling an 'introduction to Pensions' session
Remove abbreviations	Passed to course owner
Feedback should be anon	Disagree

A summary of the compliments

- Really good course helped me understand.
- Useful training, well delivered and good materials.
- Course helped clarify subject.

Complete Guide – 16 March 2017

Feedback score: 88.15%

Comment	Action taken
Should perhaps be two examples so you could try a second exercise after seeing the result of the first.	Passed to course owner
Slower delivery would have improved understanding.	Discussed with trainer
Exercises could have been explained in more detail. Abbreviations used should be explained.	Passed to course owner

A summary of the compliments

- A great session, wish I had known about them earlier!
- Engaging course, thanks

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Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Pension Fund Update Report

Summary:

This report updates the Board on Pension Fund matters and any current issues.

Recommendation(s):

That the Board:

- 1) agree the extension of the term of office for the scheme member representative; and
- 2) note the report.

Background

1 Pension Board Reappointments

- 1.1 Within the terms of reference for the Lincolnshire Pension Board, it was agreed that members should stagger terms of office to ensure that there was some continuation of knowledge across the Board. It was agreed at the July 2015 meeting that the standard term of office would be four years, however one employer representative and one scheme member representative would have an initial term of two years, reverting to four years after that. The Board members that are now up for reappointment are Cllr Mark Whittington and Dave Vickers. Both have confirmed that they would be happy to remain on the board.
- 1.2 It states in the terms of reference that an employer representative board member may be appointed for further terms of office by the Administering Authority. The Executive Director of Finance and Resources has approved the reappointment of Cllr Mark Whittington for a further four year term of office, as it important that the Board has some continuity, particularly at a time when there are the major changes to the LGPS around pensions pooling.

- 1.3 The terms of reference states that the procedure for scheme member representatives appointment should follow a transparent recruitment process, as was held initially. However, terms of office can be extended, with the permission of the Administering Authority and the agreement of the Board. For the reasons mentioned above, and as the initial term was only two years as a result of the staggering, the Executive Director of Finance and Resources has approved the extension of the initial term of office to six years for Dave Vickers.
- 1.4 The Board are asked to agree this extension. It is expected that the normal recruitment process will be followed in two years' time, when the next scheme member term of office ends.

2 Responsible Investment

2.1 To assist the Fund in meeting its requirements as a responsible investor, it participates in the Local Authority Pension Fund Forum (LAPFF) 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 engagement report can be found on their website at www.lapfforum.org. Some of the highlights during the quarter included:

- LAPFF responded to The Department for Business, Energy & Industrial Strategy's Green Paper on Corporate Governance Reform. The response focused on ensuring that executive pay is properly aligned to long-term performance and giving greater voice to employees and consumers in the boardroom.
- Cllr Doug McMurdo (LAPFF Executive member) attended the easyJet AGM and spoke to the Chairman and Senior Independent Director.

- In responding to the Financial Stability Board's Taskforce on Climate Disclosure report, LAPFF supported its recommendations and considered all market participants should be encouraged to aim for full implementation.
- At a follow-up meeting with the Chairman of Rio Tinto, Rodney Barton, of the LAPFF executive, joined other investors in the small coalition that has been meeting with the company since 2013, to improve its response to the anticipated low-carbon transition.
- LAPFF responded to the government-backed Parker Review on Ethnic Diversity of UK Boards' consultation report 'Beyond One by 21'. The interim report highlighted the lack of ethnic diversity and makes several recommendations. The Forum's response set out the Forum's position on diversity, how it engages on such issues and recommended that the final report could be strengthened by stressing the role that investors can and should play.
- The Forum met with HSBC to discuss the company's sparse human capital management reporting and financial regulation, including reports from the US suggesting that financial regulations implemented after the financial crisis to protect economies from further crises are likely to be rolled back.

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

2.4 In addition to being members of LAPFF, the Fund votes on all its segregated holdings with external asset managers. A summary of votes cast is provided to the Pensions Committee in each quarterly Fund Update Report.

2.5 The Fund has a published Stewardship Code Statement, which shows how it complies with the Financial Reporting Council's (FRS's) code. It has been classified as a Tier 1 response – in that it meets the requirements of the Code. This statement has been brought to the Pension Board in the policies review paper at item on this agenda.

3 TPR Checklist Dashboard

3.1 The Pension Regulator's (TPR's) checklist for how Lincolnshire meets the code of practice 14 for public service pension schemes is attached at Appendix A.

3.2 The Areas that are not fully completed and compliant are listed below.

B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

Amber – 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, however completion certificates have not been received for all members.

F1 – Maintaining Accurate Member Data - Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

Amber - 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. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submission will improve data accuracy going forwards, however there are a number of historical data issues that are in the process of being identified and rectified.

F5 - Maintaining Accurate Member Data - Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?

Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H1 – Maintaining Contributions - Has an annual benefit statement been provided to all active members within the required timescales?

Amber on compliance - 87.6% of Statements as at the deadline of 31st August 2016 were issued. This compares to 38% across all members at this time last year. Total across all members this year is over 90%. The annual benefit statement process is currently underway for the August 2017 deadline.

H3 - Maintaining Contributions - Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?

Amber - 96.9% of Statements as at the deadline of 31st August 2016 were issued. This compares to 38% across all members at this time last year. Total across all members this year is over 90%. The annual benefit statement process is currently underway for the August 2017 deadline.

H5 - Maintaining Contributions - Has an annual benefit statement been provided to all members with AVCs within the required timescales?

Grey – provided directly by Prudential, with no Pension Fund involvement.

H6 – Maintaining Contributions - Do these meet the legal requirements in relation to format?

Grey – provided directly by Prudential, with no Pension Fund involvement.

H7 - Maintaining Contributions - Is basic scheme information provided to all new and prospective members within the required timescales?

*Amber - 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. The monthly data returns are improving this process.*

3.3 The areas changed since the last Pension Board meeting are:

B10 – Knowledge and Understanding – 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?

From Amber to Green - The Board completed self-assessments ahead of the March '17 meeting, and the results were discussed. Additional information and training has been/will be provided. Training will continue to be a standing item on the agenda, and self-assessment will take place at regular intervals.

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

Remaining Amber - Annual Training Plan of Committee shared with PB and all PB members invited to attend. Self-assessments were carried out in March, however no personal training plans have been put in place, as the assessments have been used to identify training areas required across the Board.

4 Risk Register Update

- 4.1 The risk register is brought to this Pension Board meeting as part of the Policies Review paper, at agenda item 6, therefore an update is not provided in this report. Going forwards it will be included as a quarterly update.

5 Asset Pooling Update

- 5.1 Work has continued on the creation of Border to Coast Pensions Partnership Ltd (BCPP). The three project workstreams of the Operating Model and Asset Structures, People (incl. Property) and Governance have been very busy, to ensure that the go-live date of June 2018 can be met.
- 5.2 The first Joint Committee (JC) took place on 6th June, and Cllr Strenghiel attended to represent the Lincolnshire Fund. The appointments of Cllr John Weighell (North Yorkshire Fund) as Chairman and Cllr Sue Ellis (South

Yorkshire Fund) as Vice Chairman of the new JC were confirmed. The agenda covered the topics listed below:

- an update on the project delivery and implementation budget;
- feedback from the various national working groups;
- an update on the governance documentation completions and the incorporation of BCPP;
- refinement of the BCPP cost sharing principles;
- progress on the development of the target operating model and asset template;
- an update on the property search;
- consideration on the terms and conditions for BCPP employees;
- BCPP company structures and roles;
- A briefing on the governance requirements as an FCA regulated company; and
- An update on the executive search process.

The papers and minutes from the meeting have been shared with the Board following the Pensions Committee meeting on 13th July, and officers will take any questions on the documents at the meeting.

- 5.3 The recruitment of the senior roles (Chairman, Chief Executive Officer, Chief Investment Officer, Chief Operating Officer/Chief Financial Officer, Chief Risk Officer and two Non-Executive Directors) is underway. There has been a delay in the appointment of the Chairman and the CEO as a result of the changes to the Pensions Committee Chairmen from the elections that happened in May. The expectation is that the Chairman and CEO will both be appointed before the summer break, with the additional executive posts appointed in September. The two NED's are expected to be appointed in July.

6 Breaches Reporting

- 6.1 The Breaches Reporting Policy is brought before this Board at agenda item 6. The Fund, and those charged with its governance, has a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged since recording began. Since the last Pension Board meeting, two breaches have been logged. These are detailed below:

- 6.2 **Late payment of contributions** – a summary of all late payers has been logged on the report, with an additional analysis included at appendix C. As can be seen from this analysis, the number of employers with late contributions (or late data returns) average at 16 per month, reflecting 6% of the employers. None of these individually have been material and therefore not reported to the Pensions Regulator. Contribution monitoring is managed within the LCC team and each employer is contacted in any instance of late payment, and it is recorded within the monitoring system. Employers can be fined if they are late in any three months out of a rolling

six month period, in line with the WYPF charging policy adopted by Lincolnshire Pension Fund. Over the last financial year, eight invoices have been raised to employers. Employers are regularly reminded of the requirement to pay contributions in line with the statutory deadlines.

- 6.3 **Data breach** – it was found that a small number of Annual Benefit Statements were sent to scheme members in unsealed envelopes. This has been reported to the Information Governance Officers at both WYPF and LPF. The breach has been investigated by WYPF and it was due to human error at the out-sourced printing company. This has been followed up to ensure that processes have been amended to avoid a repeat of the incident. It has not been reported to the Pensions Regulator due to the small number impacted.

7 **Board Training**

- 7.1 The Board were informed by email (20th June) of a two day training session that has been organised for the members of Pensions Committee and Pension Boards that are part of the Border to Coast Pensions Partnership. The New Member Training is to be delivered in York on the 11th / 12th September, and covers all major activities involved in running a Pensions Fund, focusing on the responsibilities of those charged with Governance of a Fund.
- 7.2 Places are limited and interest has been shown across all of the partner funds in BCPP. Committee members are asked to contact Jon Haw (jonathan.haw@lincolnshire.gov.uk) at their earliest opportunity if they wish to attend, to ensure that a place can be secured.

Conclusion

- 8 The Fund Update report will be a quarterly report to the Pension Board, to update the Board on Pension Fund matters and any current issues
- 9 Subject to Board agreement, the two Board members reaching the end of their first term have been reappointed (for the employer representative) and extended (for the scheme member representative) for a further four years, in accordance with the Board's Terms of Reference.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register
Appendix C	Late Contributions Analysis

Background Papers

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

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Lincolnshire Pension Board 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
31/7/15	Contributions	Late payment by LCC for June contributions, following late payment for April and May.	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Aware of breach, extenuating circumstances, trying to fix issues.	Reported through portal 31/7/15		
31/8/16	ABS's	100% required output of ABS's not met	Late receipt of ABS info to members	Not material and improvement on previous year – first full year of monthly returns	Not reported – total 92.6% of active and deferred produced overall – not material to report		
31/3/17	Contributions (see report)	Late payments over the year	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		
May 2017	Administration	Data security breach – a small number	Potential for individuals data to be seen by	WYPF contacted printing	Not reported to tPR. Small number		

		Late contributions	
2016/17	April	12	5.00%
	May	14	5.83%
	June	20	8.33%
	July	12	5.00%
	August	9	3.75%
	September	23	9.58%
	October	19	7.90%
	November	25	10.40%
	December	9	3.75%
	January	8	3.33%
	February	21	8.75%
	March	21	8.75%
	Average		16

Based on roughly 240 employers, the percentage of late employers compared to total number of employers in the fund is shown in the final column

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

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Lincolnshire Pension Fund Policies Review

Summary:

This report brings to the Board the main policies of the Pension Fund for review.

Recommendation(s):

That the Board note the report.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Pensions Committee annually, and the last comprehensive review of all such policies was in July 2017. This report presents the latest version of these policies to the Pension Board.

Policies for Approval

2. The key policies to be reviewed are set out as Annexes to this report. Any significant changes will be brought to the Board's attention and explained during the meeting.

Appendix A – Communications Policy

3. The Communications Policy sets out how the Fund intends to communicate with members, prospective members and employers, including the format, frequency and method of distributing any information or publicity. The Lincolnshire Pension Fund works with West Yorkshire Pension Fund to deliver the administration service to the scheme members and employers.

Appendix B - Governance Policy and Compliance Statement

4. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent that this policy complies with best practice, on a comply or explain basis.
5. Within the compliance statement, the areas where the Fund is only partially compliant are detailed below:
 - Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.
 - Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.
 - Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.
 - Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

Appendix C - Stewardship Code Statement

6. The Stewardship Code Statement sets out how the Lincolnshire Pension Fund complies with the Financial Reporting Council's (FRC) UK Stewardship Code. The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis. Since September 2016 the FRC has rated all statements as either Tier 1 – fully meets the requirements of the Code, or Tier 2 – does not fully meet the requirements. Lincolnshire's statement has been rated as Tier 1.

Appendix D – Breaches Reporting Procedure

7. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The 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, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

Appendix E – Risk Register

8. The risk register is reviewed annually by the Pensions Committee, and any additional changes or updates are reported in the Committee's quarterly Fund Update report, and going forwards, in the Board's quarterly Fund Update report. Officers have taken the opportunity to refresh the risk register fully, given the ceasing of the internally managed portfolio and the Committee changes following the recent elections.
9. Two important policies are not being reviewed at this time; the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS). The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary. The ISS (replacement of the Statement of Investment Principles) sets out the Committee's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State. Both strategies were approved at the March 2017 meeting of the Pensions Committee, to meet regulatory deadlines, and taken to the March Pension Board meeting.

Conclusion

10. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The Communications Policy, Governance Policy and Compliance Statement, Stewardship Code Statement, Breaches Reporting Procedure and Risk Register have been appended to this report for review by the Pension Board.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	LPF - Communications Policy
Appendix B	LPF – Governance Compliance Statement
Appendix C	LPF – Stewardship Code Statement
Appendix D	LPF – Breaches Reporting Procedure
Appendix E	LPF – Risk Register

Background Papers

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

COMMUNICATION POLICY STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Fund communicates with over 200 employers and over 70,000 scheme members, in addition to a large number of other interested parties.

The Regulations governing the Local Government Pension Scheme are laid before parliament by the Department of Communities and Local Government. One of the key requirements they make on all Administering Authorities is to prepare, maintain and publish a written statement setting out the information below:-

- a) The Fund must now prepare, maintain and publish a written statement setting out its policy concerning communications with
 - members;
 - representatives of members;
 - prospective members; and
 - employing authorities.

- b) In particular, the statement must set out the Fund's policy on
 - i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
 - ii. the format, frequency and method of distributing such information or publicity; and
 - iii. the promotion of the Scheme to prospective members and their employing authorities.

The day-to-day administration of the Local Government Pension Scheme is carried out on behalf of the County Council by West Yorkshire Pension Fund (WYPF), in a shared service arrangement. Communication material is produced by WYPF in collaboration with the Pensions Team in Lincolnshire. All arrangements for forums, workshops and meetings covered within this statement are made in partnership with WYPF.

The Fund communicates with all stakeholders, as defined in specific legislation, and listed above.

Communication is increasingly distributed via electronic means, with all documents available on a dedicated Pensions website (www.wypf.org.uk).

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and pensions@wypf.org.uk, and for employers it is 01274 434900 and wypf.pfr@wypf.org.uk.

The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

The Fund's objective in respect of communication is to comply with relevant legislation and ensure relevant individuals and employers receive accurate and timely information about their pension arrangements. Methods of communication are set out in the table below.

Communications events - Scheme Members

Communication	Format	Frequency	Method of Distribution
LGPS active members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	2 per year	Mail
	Annual benefit statement	1 per year	Mail
	Pre-retirement course	Monthly	Face to face
LGPS deferred members (including representatives of deferred members)	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact Centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	1 per year	Mail
	Annual meeting	1 per year	Meeting
LGPS pensioner members (including representatives of retired members)	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face

Pension advice slips	As and when net pension varies by 25p or more	Mail
P60	1 per year	Mail
Social media	Constant	Web
Newsletter	1 per year	Mail
Annual meeting	1 per year	Meeting

Communications events - Employers

Communication	Format	Frequency	Method of Distribution
Employers	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	<i>Ad hoc</i> training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and Xtra	12 per year and as and when required	E-mail
	Social media	Constant	Web
	<i>Ad hoc</i> meetings	As and when required	Face to face
	Workshops	10 per year	Face to face
	Introduction to Pensions	Bi-monthly	Face to face
Online training video	Constant	Web	

Reviewed 13th July 2017 by the Pensions Committee

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GOVERNANCE POLICY AND COMPLIANCE STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority (and Scheme Manager) for the Local Government Pension Scheme, is required by statute to publish a governance compliance statement. The Council has elected to do this by publishing a concise Governance Policy Statement and then to outline, as required by legislation, the extent to which that statement and the underlying practices demonstrate compliance with best practice guidance as published by the Department for Communities and Local Government. This latter aspect constitutes the Governance Compliance Statement.

The Governance Policy and Compliance Statements are set out in turn below.

GOVERNANCE POLICY STATEMENT

The County Council has delegated its pension fund administering authority functions to a Pensions Committee and the Executive Director of Finance and Public Protection. The Public Service Pensions Act (2013) required all administering authorities to introduce a local Pension Board to assist the Scheme Manager.

Pensions Committee

The Pensions Committee has 11 members in total, 8 of which are County Councillors and 3 co-opted members. All the members have full voting rights.

The 8 County Councillors represent the political balance of the Council.

The 3 co-opted members comprise:

- 1 representative from the other local authorities within the County,
- 1 representative for non Local Authority employers, and
- 1 Trade Union representative, reflecting the interests of scheme members.

Under the County Council's Constitution, the Pensions Committee exercises the following functions, to;

- set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, drawing upon appropriate professional advice,

- appoint and review the performance of all Fund Managers and associated professional service providers,
- approve the Annual Report and Statement of Accounts of the Fund,
- consider any other matters relevant to the operation and management of the fund, and
- respond to any relevant consultation impacting upon the Local Government Pension Scheme.

The Pensions Committee has four regular meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held to appoint new investment managers or other professional advisers.

The Pensions Committee's regular quarterly meetings are open to the public and agendas, reports and minutes are made available through the County Council's website. An annual report on the management of the fund is provided to all scheme employers with an abbreviated version distributed to scheme members.

Executive Director of Finance and Public Protection

The Executive Director of Finance and Public Protection is responsible for the day-to-day administration of the benefits and assets of the pension scheme, specifically to:

- authorise payment of statutory pensions and allowances,
- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and
- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

Lincolnshire Pension Board

The Lincolnshire Pension Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

In addition to the local structure, the Lincolnshire Pension Board is accountable to the Pensions Regulator and the National Scheme Advisory Board.

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and

corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

The role of the Lincolnshire Pension Board is set out below:

- Assist Lincolnshire County Council as Scheme Manager;
- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- In such other matters as the scheme regulations may specify.

The terms of reference for the Board are available on the Funds shared website with WYPF at www.wypf.org.uk.

The Lincolnshire Pension Board consists of five members:

- two employer representatives (to represent all employers within the Scheme)
- two scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner))
- an independent member (to act as Chairman)

The employer and scheme member representatives can vote. The Independent Chairman cannot vote.

The Lincolnshire Pension Board has a minimum of four meetings each year. In addition, Board members must attend regular training events.

The Lincolnshire Pension Board meetings are open to the public and agendas, reports and minutes are made available through the Funds shared website with WYPF at www.wypf.org.uk. An annual report on the work of the Board is included in the Fund's annual report, which is published on the Council's website and provided to all scheme employers with an abbreviated version distributed to scheme members.

Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to Jo Ray, Pension Fund Manager (email: jo.ray@lincolnshire.gov.uk or telephone 01522 553656).

Reviewed 13th July 2017 by the Pensions Committee

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Partial	The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one representing other local authorities (district

	<ul style="list-style-type: none"> • Employing authorities (including non-scheme employers, e.g. admitted bodies); • Scheme members (including deferred and pensioner scheme members), • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis) 		councils) and one representing small scheduled bodies, currently from an Internal Drainage Board. Member related issues are dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an independent investment advisor who attends all Committees.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.
	b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of member's interests is a standard item on the agenda of the Pensions Committee.
D - Voting	a. That the policy of individual administering authorities on voting	Yes	Full voting rights are given to all members of the Committee.

	rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.		
E – Training/Facility Time/Expenses	a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	All members are treated equally in every respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	a. That an administering authority’s main committee meet at least quarterly.	Yes	See Compliance Policy Statement above.
	b. That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised	Not Relevant	As discussed above, no such forum has been established as yet.

	with the dates when the main committee sits.		
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
G – Access	a. That, subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	All members are treated equally in every respect.
H – Scope	a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Partial	The terms of reference of the Pensions Committee were changed a few years ago to include benefit related matters which up until that time had been dealt with elsewhere within the governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.
I - Publicity	a. That administering authorities have published details of their governance	Yes	The County Council publishes the many governance documents and communicates

	arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		regularly with employers and scheme members.
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Lincolnshire Pension Fund Stewardship Code Statement

Lincolnshire Pension Fund (LPF) is fully committed to responsible investment (RI) to improve the long term value for shareholders. LPF believe that well governed companies produce better and more sustainable returns than poorly governed companies. LPF also believe that asset owners, either directly (where resources allow) or through their external managers and membership of collaborative shareholder engagement groups (such as LAPFF), could influence the Board/Directors of underperforming companies to improve the management and financial performance of those companies.

As global investors we expect the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. Reflecting on this we have summarised our compliance with the UK Stewardship code and principles relating to good stewardship below.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Whilst the Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously, it does not have a specific policy on Stewardship, other than that stated in the Statement of Investment Principles. It seeks to adhere to the Stewardship Code where possible, and expects its appointed asset managers to do so too. Resources do not currently allow for a dedicated role to oversee LPF's RI responsibilities at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

In practice the Fund applies the Code in two ways; through arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum, a collaborative shareholder engagement group for Local Authority Pension Funds. Through these channels, LPF seeks to improve long term share performance through investment in better governed companies, therefore improving the funding level of the LPF and reducing the cost to stakeholders in the Local Government Pension Scheme.

As part of the manager appointment process, the Fund selects managers who show how their stewardship responsibilities are built in as an integral part of their investment process. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF.

The Fund reports quarterly to the Pensions Committee on the engagement work undertaken by LAPFF and a member of the Pensions Committee regularly attends the LAPFF meetings. The Fund also attends the LAPFF Annual Conference to ensure a full understanding and input into the work programme of LAPFF.

Voting is carried out at Fund level, rather than by appointed managers, using a third party voting agency, Manifest. A general global voting template is agreed by the Pensions Committee using the best practice principles advised by Manifest. Voting decisions for non-standard items are made on a case-by-case basis using the analysis produced by Manifest and take into account any voting alerts provided by LAPFF, or where needed, additional information is requested from managers. The Fund reports quarterly to the Pensions Committee on all voting activity undertaken.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund expects the asset managers it employs to have effective policies addressing potential conflicts of interest, and that these are all publically available on their respective websites. These are discussed prior to the appointment of a manager, and reviewed as part of the standard manager monitoring process.

In respect of conflicts of interest within the Fund, Pensions Committee and the Pension Board review the Pension Fund Code of Conduct and Conflicts of Interest Policy annually and all members are required to sign an annual declaration form in line with the published policy. The policy can be found on the shared LPF website at www.wypf.org.uk. In addition, Committee members are required to make declarations of interest prior to committee meetings which are documented in the minutes of each meeting and available on the Council's website at www.lincolnshire.gov.uk.

Principle 3 - Institutional investors should monitor their investee companies.

As investors we own a portion of the companies we invest in. With our voting policies and working through our external managers and LAPFF we can use our rights as owners to encourage companies to act more responsibly and improve their practices. All our managers are required to consider how environmental, social and governance factors might impact companies sustainability, and therefore their long term share performance.

Day-to-day responsibility for managing our externally managed equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor their investee companies and engage where necessary. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity and impact can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact and effectiveness of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF. Reports on the Funds voting and engagement activity through LAPFF are received by the Pensions Committee on a quarterly basis.

In addition, the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies, and is used when making voting decisions.

Resources do not currently allow for a dedicated role to monitor investee companies at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. We review each manager's policy on engagement and escalation prior to appointment and we review their engagement activity during regular review meetings with them, and support it when required. Escalation routes across our managers involve meetings with company management, meetings with Non-Executive Directors, collaborating with other institutional shareholders, submitting resolutions at general meetings and in the most extreme instances divestment of shares. The outcome of any engagement is reported to the Fund through the normal reporting routine.

On occasion, the Fund may itself choose to escalate activity through its participation in the Local Authority Pension Fund Forum. The areas where escalation might occur would be aligned with the LAPFF work programme. Fund involvement would be by either co-signing a shareholder resolution or publically supporting a shareholder resolution. This would happen following a request from LAPFF explaining the engagement activity taken so far and the reasons why a shareholder resolution is required. The Fund had an agreed process for this internally which requires a paper taken to our Pensions Committee (time allowing) or through delegation to the Council's Executive Director of Finance and Public Protection in consultation with the Chair and Vice Chair of the Pensions Committee to agree. Examples of escalation activity from LAPFF that the Fund has supported are shown below:

- Supporting the Human Rights Capital shareholder resolution at Sports Direct
- Part of the 'Aiming for A' investor coalition – successfully co-filing at BP, Shell, Anglo American, Rio Tinto and Glencore on strategic resilience resolutions
- Supported shareholder resolutions at National Express on workplace rights

The Fund monitors and participates in shareholder litigation through its contracts with IPS (Institutional Protection Services) and US law firm SRKW. In addition, supplementary monitoring is provided by BLBG.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund achieves this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members. The LAPFF agree planned work programmes each year which are discussed and approved at LAPFF meetings. This plan sets out the engagement areas for activity for the coming year. Lincolnshire Pensions Committee member Cllr Eddie Strengiel is the named representative responsible for attending these meetings and actively participates in any discussions and setting of the work programme. He raises any concerns that the Fund may have and feeds back to the Pensions Committee on a quarterly basis.

The contact for any potential collective action with the Fund is the Pension Fund Manager, Jo Ray, at jo.ray@lincolnshire.gov.uk.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights is maintained at Fund level, and not delegated to the Fund's appointed asset managers. The Fund exercises all votes for its UK, developed Europe, US, Canada and Japanese equity holdings. Votes are cast in accordance with a template that represents best practice corporate governance standards, that is agreed by the Pensions Committee. Advice on best practice is supplied by the voting agency Manifest. This includes consideration of company explanations of compliance with the Corporate Governance Code. Reports are presented to the Pensions Committee on a quarterly basis on how votes have been cast, and controversial issues are often discussed at committee meetings.

The Fund will only support the Board when the recommendations meet the best practice requirements in the guidance supplied by the Fund's voting advisor, Manifest. All votes cast by the Fund are logged in Manifest's on-line system, which also identifies where the Fund has voted against the Board and reasons why. The Fund always responds to requests from companies to explain voting outcomes, and will, wherever possible, explain in advance of the actual vote being cast.

The quarterly reports presented to the Pensions Committee include high level voting activity and are available on the Council's website, alongside all committee reports.

The Fund participates in stock lending through its Custodian, JPMorgan. Stock is not recalled ahead of company meetings to allow voting on the holdings participating in the stock lending programme, due to the restricted resources within the internal team.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports quarterly to the Pensions Committee on stewardship activity through a specific section on voting undertaken each quarter, in the Fund Update. This includes details of engagement activity undertaken through the Local Authority Pension Fund Forum. On an annual basis the Fund includes a section on Stewardship Responsibilities in its Annual Report and Accounts, detailing voting activity and highlighting the key engagements over the year through its membership of LAPFF. These are available on the Council's website.

Data to produce these reports is taken from the Councils voting service provider's online system, which records all votes undertaken, and from reports produced by LAPFF.

Although voting is not delegated to managers, they are required to share their engagement activity with the Fund on a regular basis.

Reviewed 13th July 2017 by the Pensions Committee

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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, avoiding 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:

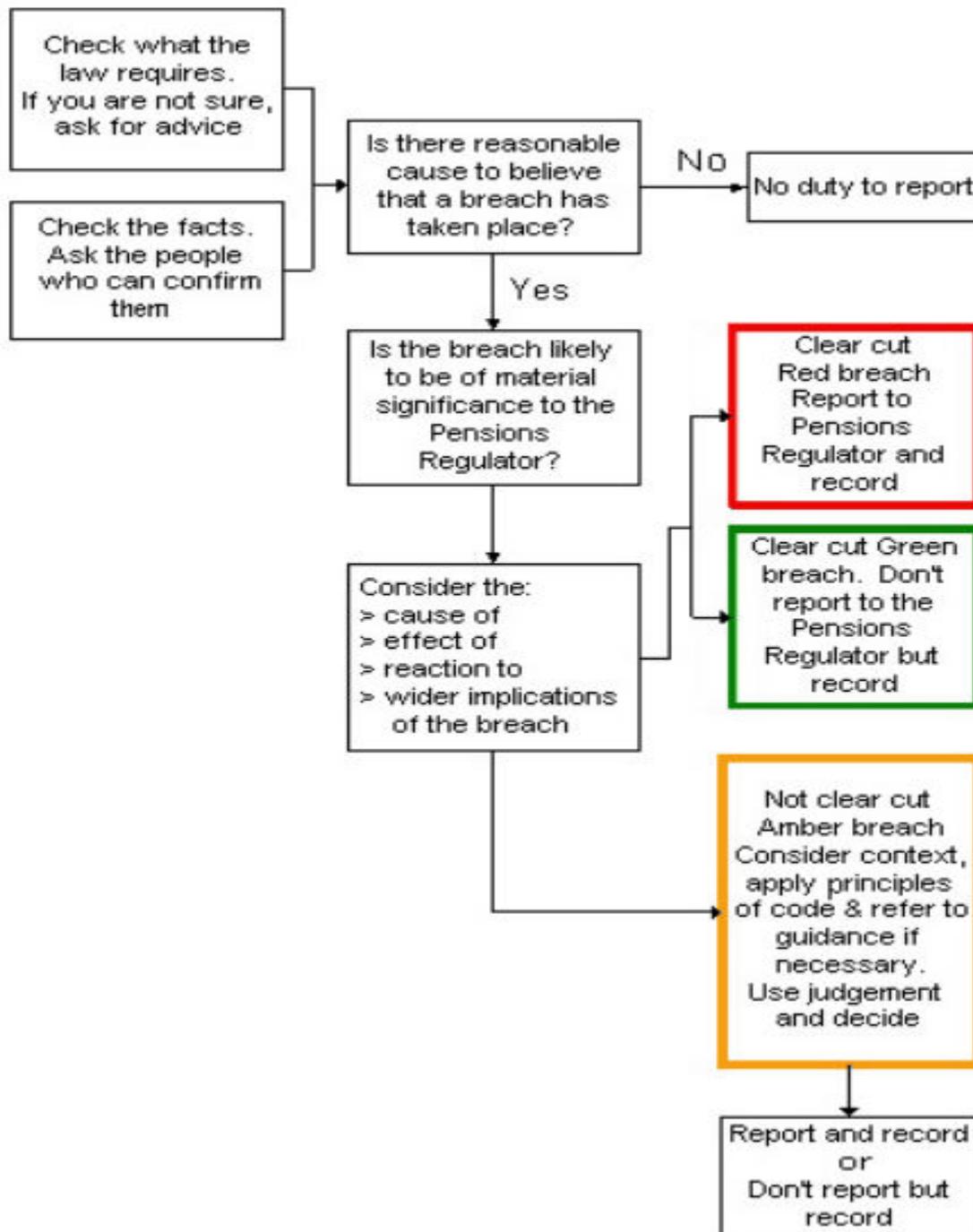
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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

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:

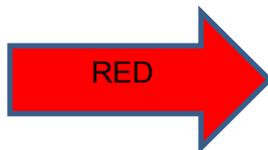
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

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.

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:



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.



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.



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

**Pension Fund
RISK REGISTER
Jo Ray**

Areas covered

Pension Fund Governance & Strategy
Pensions Administration
Pension Fund Investments

Service Objectives

- 1 Ensure there are enough assets to cover liabilities in the long term
- 2 To prepare the final accounts for the Pension Fund to the agreed timetable
- 3 To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels
- 4 To monitor the external investment managers and service providers to ensure they are acting within their IMA and/or SLA
- 5 To work in partnership with WYPF to ensure an effective and efficient Pensions Administration Service is provided
- 6 To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due

Sort by Risk ID

Refreshed July 2017

Sort by Current Overall Risk Score

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	Current Risk Score		Overall Current Risk Score
			Source (Lack of....Failure to)	Consequences (Results inLeads to)					L	I	
1		5	Contributions of payments of pensions • Non-collection • Miscoding • Non-payment	If it doesn't get discovered it effects employers accounting report and Valuation,final accounts and cashflow in pension fund	Jo Ray	Employer contribution monitoring Additional monitoring at specific times Reconciliations Improved employer contribution data Monthly returns checks UPM employer module Ongoing employer training	Good	Jo Ray	1	3	3
2		5	Inability to deliver the service either resource or finance in accordance with the agreement	Members of the pension scheme not serviced Statutory deadlines not met	Jo Ray	Performance Indicators General management indicators Bi-monthly meetings with WYPF Horizon Scanning Internal Audit Service Level Agreement Response to Audit Reports in the form of action plans Benchmarking & performance data Process management Error reporting Complaint reporting Customer Surveys	Good	Jo Ray	2	3	6
3		2,3,4,5	Loss of key staff and loss of knowledge & skills	Inability to deliver service Statutory requirements not met Damaged reputation Pensioners not paid	Jo Ray	Diversified staff / team Look at other authorities with best practices to ensure LCC positions still desirable Attendance at pensions user groups, both WYPF and LCC Procedural notes which includes new systems as and when (LCC & WYPF) Section meetings / appraisals (LCC & WYPF) Regular team building (LCC & WYPF)	Fair	Jo Ray	2	2	4
4		5	Calculating and paying pensions correctly	Damaged reputation Financial loss	Jo Ray	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	Good	Jo Ray	2	2	4
5		4	Custodian bank (J P Morgan) goes bust	Inability to settle trades No reconciliation, accounting or performance service Loss of access to cash accounts	Jo Ray	Service level agreement with termination clause Regular Meetings Regular control reports Other Custodian options - review markets	Good	Jo Ray	1	3	3

6		1,3,4	Poor investment performance from managers	Lower funding level Increase in employer contributions	Jo Ray	Performance measurement Managers report monthly Reporting to pensions committee Diversification across managers Manager meetings	Good	Jo Ray	2	3	6
7		1	Assets not enough to meet liabilities	Lower funding level Increase in employer contributions		Valuation Asset Liability Study Quarterly reporting of funding level Professional advice	Good	Jo Ray	2	3	6
8		1	Required returns not met due to poor strategic allocation	Damaged reputation Increase in employer contribution	Jo Ray	Professional advice Triennial review Performance monitoring Monthly Members letter Reporting to Pensions Committee	Good	Jo Ray	2	3	6
9		4	Non compliance of external managers	Damaged reputation Financial loss	Jo Ray	FSA regulated Manager due diligence Investment Management Agreements Manager monitoring Report quarterly to team Review every 3 years Qualified officers Additional managers meetings Termination clause	Good	Jo Ray	1	2	2
10		1,3,4	Financial regulations (e.g LCC / CIPFA) and statutory requirements not adhered to / legal guidelines not followed	LCC may incur penalties Damaged reputation Intervention from Secretary of State Intervention from the Pensions Regulator	Jo Ray	Underlying regulation of Fund Managers FM control reports Contracts in place setting out parameters LCC staff appropriately qualified and aware of policies and procedures Pension Fund managed in line with statutory regulations Membership of CIPFA Pensions Network, PLSA etc. Pension Board	Good	Jo Ray	1	2	2
11		1,3,4,5	Financial or administration decisions challenged	Ombudsman report reported to TPR	Jo Ray	Performance monitoring and reporting Monthly and quarterly reporting Admin processes and procedures	Good	Jo Ray	1	1	1
12		3,4	Personal gain (internal or external) through: • Personal dealing • Fraud or misappropriation of funds • Manipulating share price	Financial loss Damaged reputation	Jo Ray	Protocol regarding personal dealing Declaration of interests Investment Management Agreements with Fund Managers Vetting of new Fund Managers through tender process Access restricted regarding transfer of funds - authorised signatories required Regulation of Fund Managers Insurance arrangements Code of Conduct Separation of duties	Good	Jo Ray	1	1	1
13		2	Financial Statements of Pension Fund incorrect or late	Damaged reputation Qualified accounts	Jo Ray	Agreed timetable Externally audited Qualified and trained staff Closedown procedures	Good	Jo Ray	1	2	2
14		1,3,4,5	Fraud risk not managed	Financial loss Damaged reputation	Jo Ray	Separation of duties Internal & external audit Monthly reporting Reconciliation procedures	Good	Jo Ray	1	3	3

15		1,2,3,4,5	Governance requirements not met	Financial loss Damaged reputation Legal issues	Jo Ray	Governance compliance statement Pension Committee reporting Monthly member letter Investment Strategy Statement Funding Strategy Statement Trained Committee members and officers Pension Board	Good	Jo Ray	1	2	2
16		2,5	Increasing employer numbers and/or reducing covenant strengths	Increased workload Incorrect rates paid	Jo Ray	Admission agreements Bonds Employer covenant monitoring Contribution monitoring Employer communication and PFR roles	Good	Jo Ray	3	2	6
17		1,6	Maturing Fund	Cashflow issues to pay pensions or commitments Increasing employer rates	Jo Ray	Investment strategy Cashflow monitoring Discourage opt outs New scheme 50/50 option Communication	Fair	Jo Ray	3	2	6
18		1,5	New Pension Freedom and Choice rules	Impact on cashflow Process not followed Reduction in funding level	Jo Ray	Value of transfers monitored	Fair	Jo Ray	2	2	4
19		1,3,4,6	Asset pooling - creation of BCPP within Governments timetable	Uncertainty and inability to make investment decisions Increased costs Intervention by Government	Jo Ray	Officer operations group Cross pool working group Communicate to Committee regularly S151 meetings Regular contact and meetings with DCLG/HMT	Fair	Jo Ray	2	3	6
20		1,3,4,6	Asset pooling - management of relationship with BCPP	Inability to implement asset allocation decisions Increased costs Reduced returns	Jo Ray	Joint Committee Officer operation group Senior officer group	Fair	Jo Ray	2	3	6
21		5	Employer breaches	Reporting to TPR Fines to employers Reputational risk to LCC and WYPF	Jo Ray	Make employers aware of responsibilities through Admin Strategy and training Reporting breaches procedure Contribution monitoring	Good	Jo Ray	1	2	2
22		1,2,3,4,5,6	LCC team - workloads and resources - additional work of asset pooling along with team losses, means resources will be very stretched for the coming months	Statutory requirements not met Reputational risk Increase in key man risk	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Ability to recruit	Fair	Jo Ray	2	3	6
23		5	Data issues with LCC	Data not submitted on time or accurately Statutory deadlines missed Members missing starter/leaver information Incorrect pensions paid/accrued to members Incorrect contribution rate for LCC calculated	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Concerns raised directly to employer	Fair	Jo Ray	3	2	6
24		1,6	Economic uncertainty due to UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Jo Ray	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	Poor	Jo Ray	4	3	12

25		4,5	Cyber security breach	Systems hacked Loss of Admin system leading to being unable to calculate and pay pensions Loss of data from third party service providers and managers	Jo Ray	WYPF and Bradford Council policies LCC policies External provider control reports	Good	Jo Ray	2	3	6
26		4,5	Non-compliant in Information Governance - incl. GDPR compliance	Risk of fines Reputational risk Personal/sensitive data in the wrong hands	Jo Ray	WYPF policies Reporting to Committee LCC policies	Fair	Jo Ray	2	3	6

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

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Internal Audit of the Pension Fund

Summary:

This report brings to the Board information on the internal audits that have been undertaken over the recent years on the Lincolnshire Pension Fund and on the administration service provided by WYPF.

Recommendation(s):

That the Board note the report.

Background

1. The Pension Fund is regularly audited by a number of different parties; by Lincolnshire County Council's (LCC) internal audit team, by KPMG as the Council's external auditors, and by City of Bradford Metropolitan Council's (CBMC) internal auditors on the shared Pension Administration service.
2. The Pension Board received a presentation last year from the Fund's external auditor, KPMG, and will review the Governance Statement for the 2016/17 audit at a future meeting, once that audit has been completed. The internal audit team at LCC have performed two audits of areas of the Pension Fund over the last two years, and the details are shown in the paragraphs below.
3. In 2015 an audit was carried out on the transfer of the Pensions Administration service provision from Mouchel to West Yorkshire Pension Fund. The full audit report can be found at appendix A. The executive summary in the report stated that the procedures and processes evident throughout the transfer to WYPF provided assurance that the process was handled effectively and that there was a consistent working basis for the future delivery of Pensions Administration.
4. The assurance opinion given was **Effective**. The definition for this level of assurance is set out below:

Effective

The assessment on the activity gives a high level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate and are operating effectively.

5. More recently, a key control testing audit was carried out on the Council's finance, payroll and pensions systems and processes. The area that was audited in the Pension Fund was regarding the Fund's monthly reconciliation process for its investments. The final report has yet to be published, however the element that tested the Pension Fund systems has been finalised and an executive summary produced, which is shown below:

Pension Fund – High Assurance

Full and detailed reconciliations of the Pension Fund are completed monthly. A check list is completed each month by the reconciliation preparer and the Fund Manager or Investment Manager signs off after review. For the samples we tested we found that the calculations on the reconciliation totals were all correct and all the investment records agreed to the underlying records apart from one relating to the internal portfolio. After investigation we found that this was where a figure was used from a custodian document where the figure had been transposed in error. This had no effect on the overall reconciliation but we would recommend that in future, any figures taken from custodian figures are checked against the income receivable spreadsheet to ensure that they agree.

6. As can be seen above, the assurance given was **High**, this is the same as the Effective assurance that was given previously, with the same definition, just a change in language used.
7. On the Pensions Administration side, a number of audits have been completed by CBMC, and a summary list with outcomes is attached at appendix B. The areas covered by the auditors are shown below:
 - Annual Benefit Statements
 - LGPS contributions
 - Transfers In
 - Review of WYPF accounts
 - Purchase of additional pension
 - New pensions and lump sums – death benefits
8. No material issues were found, with a small number of recommendations made.

Conclusion

9. The Pension Fund is regularly audited by both external and internal audit, to ensure that processes and controls are in place to manage both the investments and the pensions administration effectively. The reports

highlighted in this paper should provide assurance to the Pension Board that the Fund is regularly monitored to ensure that it is well managed in all aspects.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	LCC Internal Audit – Final Report – Transfer of Pensions Admin
Appendix B	WYPF Internal Audits completed during 2016/17

Background Papers

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

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Public Sector Auditing Private Sector Thinking

Internal Audit Report ***Due Diligence – Pensions Administration***

Overall Opinion:



Date: 18/06/2015

Contents

Introduction and Scope	Page 1
Executive Summary	
Assurance Opinion	1-2
Key Messages	2
Management Response	3
Appendix	4
Appendix 1 – Assurance Definitions	

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

Auditor **Ashley Simons**
Head of Audit **Lucy Pledge CMIIA**

Distribution	Pete Moore – Executive Director of Finance & Public Protection David Forbes – County Finance Manager Jo Ray – Group Manager – Pensions & Treasury
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Introduction and Scope

We have reviewed the management of the transfer of Pensions Administration service provision from Mouchel to West Yorkshire Pension Fund (WYPF) as part of the Due Diligence audit plan for 2014/15.

West Yorkshire Pension Fund was identified as the preferred provider in May 2014 following a tendering process. A collaboration agreement was signed off in August 2014 and WYPF commenced providing the service from 1 April 2015.

The change in provider is being managed as part of the Future Delivery of Support Services (FDSS) Programme. A Project Board and Team was created to work with WYPF and manage the transition. The partnership was governed and overseen by a collaboration board that includes officers from both LCC and WYPF.

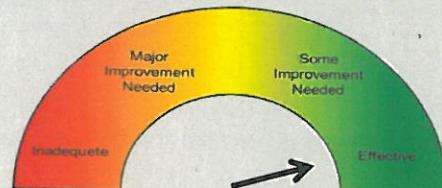
Our review sought to provide assurance that:

- risks and controls associated with the transfer of the pensions administration function to WYPF have been effectively managed
- transfer of data records from the existing pension and payroll systems (Altair) to the new system (Civica) are complete and accurate

Executive Summary

Assurance Opinion

Effective



The transfer of Pensions Administration to West Yorkshire Pension Fund was effectively monitored and managed by the collaboration and project boards. There were regular meetings to review the associated risks and progress actions and issues throughout the project. We also noted periodic updates to the Council's Pensions Committee.

We can confirm from the reconciliation of control totals that the expected number of records extracted from Altair balanced correctly to those uploaded to the new Civica system. We also verified that the scanned and imaged documents were correctly transferred to the relevant pension records and that pensioner payroll standing data is complete.

Our testing of data transferred from the Altair system to records held on Civica identified some information on Altair that was not present in the new Civica system –

we have received assurance from the new provider that this issue is not significant and will not have any detrimental effect when calculating member benefits. The Pensions and Treasury Manager agrees the explanations provided by WYPF on this issue are valid.

The results of WYPF's own testing together with our sample tests, provides reasonable assurance over the data transfer and confidence in the continued accuracy of the Council's pension records.

Direction of Travel



No Change / Stable

The procedures and processes evident throughout the transfer to West Yorkshire Pension Fund provide assurance that the process was handled effectively and that there is a consistent working basis for the future delivery of Pensions Administration.

Documents and meeting notes held for the Transfer Collaboration Board and Project Board provided clear evidence to demonstrate the project has been monitored on a regular basis. Issues and risks were highlighted, updated and effectively managed with action taken, where appropriate. We also noted regular progress reports and updates to the Council's Pensions Committee.

We can confirm that WYPF carried out their own checks of records transferred to their system – this was a significant sample covering different types of members. To provide independent assurance we selected a further sample of 50 records (active, deferred and pensioners) from the Altair system to ensure that exported data had been updated completely and accurately within the Civica system. We found most of the data could be verified within the new system, although there were some missing data items. Explanations were provided, indicating that the unreconciled information between the two systems was either:

- considered unnecessary to transfer (not required for calculation purposes)
- held within a separate database (Oracle) - with access to the relevant data when required

WYPF have provided assurance that these explanations are valid and that full member details will be accessible when required. The LCC Pensions and Treasury Manager and the local WYPF Team Manager (former Mouchel team leader) both agree the reasons given are acceptable.

We confirmed that scanned images and documents held outside of Altair were correctly applied to the corresponding records on the Civica system. Our sample of 17 pensioner payroll records verified this.

We found appropriate third party assurance on the transfer of the Council's pension data through:

- West Yorkshire Pension Fund's preparatory work prior to the data transfer
- The Council's project management arrangements
- WYPF's control total reconciliation
- Post transfer data tests

The results of our testing provides further confidence in the validation work of the new pension administration provider and independent assurance on the completeness and accuracy of the data transfer. We would take this opportunity to thank the staff for their help and assistance throughout the audit.

Management Response

The full assurance given is welcomed and confirms our view that the transition project to WYPF was well managed.

Assurance Definitions¹

<p>Effective</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Some improvement needed</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Major improvement needed</p>	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
<p>Inadequate</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Internal Audits (on Pensions Administration) completed during 2016/17

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council. Each year a number of audits are performed on financial systems and procedures across the organisation as agreed in advance with the West Yorkshire Pension Fund management. Listed below is a summary of reviews that were carried out during the financial year 2016/17.

- **Annual Benefit Statements** – All active members of West Yorkshire Pension Fund receive an Annual Benefit Statement, this provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.
- **Local Government Scheme Contributions** – This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as expected with two suggested actions for improvement provided.
- **Transfers In** - This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of a good standard, however, a recommendation was made to improve the accuracy of the relevant transfer in dates and the quality control checking process.
- **Review of the West Yorkshire Pension Fund 2015/16 Accounts** - This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.
- **Purchase of Additional Pension** – Active members of the West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum amount of £6,755 over a flexible number of years. The standard of control of risks in this process was found to be good, however, a recommendation was made as a result of an error identified which should ensure future accuracy of the process.
- **New Pensions and Lump Sums – Death Benefits** - This audit examined the calculation of the death benefits following the death of an active/deferred member or pensioner. The control environment for this process was found to be excellent.

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

Report to:	Lincolnshire Pension Board
Date:	25 July 2017
Subject:	Review and Evaluation of the Pension Board

Summary:

This report brings to the Board the opportunity to review and evaluate the work that it has done over the last two years, since its inception in July 2015.

Recommendation(s):

That the Board note the report and consider the areas that they would like to focus on over the coming two years.

Background

1. The Lincolnshire Local Pension Board has been in operation since July 2015. It is good practice that the Board review and evaluate the work that it has undertaken from time to time, to consider what value has been added. A two year timeframe is a reasonable length of time in which to look back. In addition, consideration can be given to the areas that the Board would like to focus on over the coming two years.
2. The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:
 - a) Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme.
 - b) Securing compliance with the requirements imposed by the Pension Regulator (tPR) in relation to the Scheme.
 - c) Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to tPR and to the Scheme Manager.
 - d) Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

- e) Such other matters as the Scheme Regulations may specify.
3. Attached at appendix A and B are the Lincolnshire Pension Board Annual Reports for 2015/16 and 2016/17, which highlight the work undertaken by the Board over each year.
 4. In 2015/16 the work programme of the Board covered the areas shown below:
 - Compliance with the Pension Regulator's (tPR's) Code of Practice 14
 - Presentation from the Fund's administration service provider, West Yorkshire Pension Fund (WYPF)
 - Internal and external audit reports
 - Fund communications
 - Administration updates and complaints process
 5. In 2016/17 the work programme of the Board covered the areas shown below:
 - The Fund's Accounts and Annual Report for 2015/16
 - Compliance with the Pension Regulator's (tPR's) Code of Practice 14
 - Presentations from the Fund's administration service provider, West Yorkshire Pension Fund (WYPF)
 - The Fund's risk register
 - Asset Pooling updates
 - Presentation from the Fund's external auditor, KPMG
 - Employer engagement
 - Review of the Funding and Investment Strategy Statements
 6. In addition to the self-evaluation of the Board, the message from the DCLG, as presented at a recent seminar hosted by CiPFA and Barnett Waddingham that the Independent Chair of the Board attended, is that Ministers are also very keen to know how Local Pension Boards are progressing, and what has worked well or otherwise. To facilitate this, they are encouraging Board members to complete the Scheme Advisory Board (SAB) survey at this link <http://www.lgpsboard.org/survey.php>, which will be live until the end of July.

Conclusion

7. The Lincolnshire Local Pension Board has now been in existence for two years and it is good practice to review and evaluate the work completed in that time. In addition, the work program for the coming two years can be considered by the Board.

8. Board members are encouraged by DCLG to complete the SAB survey at the link at paragraph 6, to assist their own evaluation of the benefits of Local Pension Boards.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Board Annual Report 2015/16
Appendix B	Lincolnshire Pension Board Annual Report 2016/17

Background Papers

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

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LINCOLNSHIRE COUNTY COUNCIL

ANNUAL REPORT OF THE LGPS LOCAL PENSION BOARD – 2015/2016

1. INTRODUCTION

- 1.1 I am pleased to present the first report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2015/2016.
- 1.2 Pension Boards were introduced in to the Local Government Pension Scheme (LGPS) from April 2015 under the Public Sector Pensions Act 2013 with the responsibility to assist administering authorities, in particular pension managers, and to secure compliance with the LGPS regulations.
- 1.3 The Lincolnshire Local Pension Board was established by the Administering Authority in June 2015 and operates independently of the Pensions Committee.

2. PURPOSE

- 2.1 The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:
 - a) Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme.
 - b) Securing compliance with the requirements imposed by the Pension Regulator (tPR) in relation to the Scheme.
 - c) Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to tPR and to the Scheme Manager.
 - d) Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.
 - e) Such other matters as the Scheme Regulations may specify.
- 2.2 Further detailed information on the Board's functions is set out in the Terms of Reference.

3. CONSTITUTION AND MEMBERSHIP

- 3.1 The membership of the Board during the period was as follows:

Independent Chair - Roger Buttery (non voting)

2 Employer Representatives – Councillor Mark Jones (until 6 January 2016); replaced by Councillor Mark Whittington and Kirsty McGauley (both voting)

2 Member Representatives – David Vickers and Ian Crowther (both voting)

- 3.2 Four meetings were held within the period – 20 July, 30 July, 7 October and 2 December, 2015. The Committee also met on 15 April 2016 because the final meeting of the year scheduled in March had to be re-arranged.
- 3.3 The meeting on 20 July was devoted to a full day’s training covering the LGPS, Lincolnshire Fund specifics, the role of the Pension Board, knowledge and skills, role of advisers, policies, internal and external investments, safeguarding the fund’s assets, performance measurement, corporate governance, the Pensions Team and pensions administration. There was another training day in January 2016 with a specific emphasis on the actuarial valuation due at the 31 March 2016 and LGPS asset pooling. In addition, some members of the Board attended the LGA Pension Fundamentals training seminars.
- 3.4 At the meeting on 30 July, the Board agreed a programme of work for the year.

4. THE WORK PROGRAMME

- 4.1 At the meeting in October, the Board considered a report which demonstrated Lincolnshire’s compliance to a Code of Practice produced by tPR.
- 4.2 The Board considered the eleven elements in detail, namely:
- a) Reporting duties
 - b) Knowledge and understanding
 - c) Conflicts of interest
 - d) Publishing information about schemes
 - e) Managing risk and internal controls
 - f) Maintaining accurate member data
 - g) Maintaining contributions
 - h) Providing information to members and others
 - i) Internal dispute resolution
 - j) Reporting breaches of the law
 - k) Scheme advisory board
- 4.3 A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant with 71 green or items not yet relevant. There were 17 partly compliant and 8 where further information was required. There were 3 reds all of which were “work in progress” and not critical. Given the

recent appointment of West Yorkshire Pension Fund (WYPF) as the new Pensions Administrator to the Scheme and LCC's decision to appoint Serco for a range of "back office" support functions, the Board considered that the compliance to the tPR's Code was very good. Indeed, at the meeting in April 2016, the Board received a further report and the position had improved with 84 green or not yet relevant. There were 14 partly compliant and 1 red which is work in progress.

- 4.4 At its December meeting, the Board received a presentation from a representative of the WYPF on the pensions administration service. The Board noted that there had been some teething problems with the Fund's largest employer, LCC, which had arisen largely as a result of the introduction of a new accounting system. There were some failures against the pensions administration performance targets but this was largely as a consequence of the transition. Of particular concern to the Board was the delay in the payment of the monthly employer and employee contributions by the due date in the early months of the financial year but tPR was advised at the time. The contributions are now being paid on time. The Board noted that 95% of the benefits statements had been sent to members by tPR's revised deadline of 30 November 2015. In addition, there were still issues over the supply of data by the Council's contractor.
- 4.5 Considering the obstacles and problems faced by WYPF, the Board concluded that the administration was sound and more importantly would improve. Despite certain teething problems, it was felt that WYPF had been the correct choice for LCC. The Board also noted that the partnership between LCC and WYPF was developing well.
- 4.6 At the final meeting of the year, the Board considered several issues:
 - a) Recent reports from both internal and external audit on pension related issues
 - b) Communications
 - c) Update on administration and complaints
- 4.7 The Board considered a report on the latest internal and external audit reports for the Lincolnshire Pension Fund and details of the audit process. The Pension Fund is managed within a strong control environment and is audited regularly by both the Council's internal audit team and the external auditors. Any issues raised by the auditors were considered and responded to by management, and where necessary, an action plan was put in place to improve controls. The external auditor provided an unqualified opinion on the 2014/2015 pension statements.
- 4.8 The Board received a comprehensive presentation on how the communication to members and other stakeholders was managed by the Pension Fund. After various questions, the Board concluded that the communication to both members and employers is good.

- 4.9 Finally, the Board received a further update on current pension administration issues including complaints. It was noted that some cases have again exceeded the target days as to some extent expected, primarily as a result of the continued ripple effect of the new scheme regulations, particularly where cases have been stockpiled awaiting the Government Actuaries Department's (GAD) Guidance. In the context of the various on-going issues with LCC's back office provider, to have only eight complaints was considered to be good.
- 4.10 The Board has already considered its work programme for the 2016/2017 year – specific areas agreed so far are the Report & Accounts, investment pooling, the 2016 valuation results and a further review of compliance with tPR's Code.

5. CONCLUSION

- 5.1 This is the first report of the Board. Despite the change of Administrator and the issues arising from LCC's decision to appoint Serco, I consider the governance and administration of the Scheme to be sound. I am particularly impressed with Lincolnshire's compliance to the vast majority of tPR's Code of Practice. Both internal and external audit have confirmed that the Pension Fund is managed within a strong control environment. Communications with members and employers is also good. There is always scope for improvement and I am confident that the governance and administration will be even better in 2016/2017.
- 5.2 I would like to express my thanks to Jo Ray, Pension Fund Manager, her Team and the staff of the WYPF for the huge amount of work undertaken during the year, some in difficult circumstances because of the dependency on the Council's back office provider. Finally, I should like to thank the four Board Members for their considerable input and support during the year.

ROGER BUTTERY
CHAIR
APRIL 2016

LINCOLNSHIRE COUNTY COUNCIL

ANNUAL REPORT OF THE LGPS LOCAL PENSION BOARD – 2016/2017

1. INTRODUCTION

- 1.1 I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2016/2017.
- 1.2 Pension Boards were introduced in to the Local Government Pension Scheme (LGPS) from April 2015 under the Public Sector Pensions Act 2013 with the responsibility to assist administering authorities, in particular pension managers, and to secure compliance with the LGPS regulations.
- 1.3 The Lincolnshire Local Pension Board was established by the Administering Authority in June 2015 and operates independently of the Pensions Committee.

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- 2.1 The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:
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2 Member Representatives – David Vickers and Ian Crowther
(both voting)

- 3.2 Four meetings were held within the period – 22 July, 23 September, 15 December, 2016 and 15 March 2017.
- 3.3 Board Members have also attended several training sessions – Investment Training in October 2016, the Actuarial Valuation and draft results in November 2016 as well as several presentations on LGPS asset pooling. In addition, all members of the Board attended the Pension Boards Seminar organised by the Pension and Lifetime Savings Association (PLSA). A couple of Board members have also completed the Pension Regulator’s Public Service toolkit. The other members have partly completed the seven modules. All the Board members completed the Trustee Knowledge (Competence) Self Assessment Matrix which is vital for assessing the overall knowledge and understanding of the Scheme Rules and Governance; and drives the future training requirements.

4. THE WORK PROGRAMME

- 4.1 At the meeting in July, the Board considered in some depth the Pension Fund’s Draft Annual Report & Accounts for 2015/2016. The Board made various comments and asked a number of questions and received satisfactory responses. The Board concluded that the draft Annual Reports & Accounts was an excellent document. The Board also received a presentation on LGPS Asset Pooling.
- 4.2 At the September meeting, the Board considered a report which demonstrated Lincolnshire’s compliance to the Code of Practice produced by tPR.
- 4.3 The Board considered the eleven elements in detail, namely:
- a) Reporting duties
 - b) Knowledge and understanding
 - c) Conflicts of interest
 - d) Publishing information about schemes
 - e) Managing risk and internal controls
 - f) Maintaining accurate member data
 - g) Maintaining contributions
 - h) Providing information to members and others
 - i) Internal dispute resolution
 - j) Reporting breaches of the law
 - k) Scheme advisory board
- 4.3 A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely

compliant with 89 green. There were 7 partially compliant and 3 not yet relevant. At the meeting in March 2017, the Board received a further report and the position was the same with 89 green and 3 not relevant. There were still 7 partly compliant although some progress has been made in converting them to green. The Board considered that the compliance to the tPR's Code was very good.

- 4.4 Also at its September meeting, the Board received a presentation from a representative of the West Yorkshire Pension Fund (WYPF) on the pensions administration service. There was a wide-ranging debate on the achievements against the performance targets all of which were set at 85%. Concern was expressed that performance on a number of targets was not being achieved. It was reassuring that performance on some of the critical targets including retirements and death grants was better than the target. The Board questioned whether it was the intention to retain the overall performance measurement target of 85% particularly as some administrators aimed for 95% for some work types. In fairness to the WYPF, the service had experienced a number of issues which had affected the performance measures including the problems with the County Council's provider of support services, the transfer of data and delays by the Government Actuary's Department. The Board also questioned the use of life certificates rather than tracing firms. It was agreed that the performance targets should be taken to the Collaboration Board.
- 4.5 Considering the obstacles and problems faced by WYPF when they were appointed as pension administrators from April 2015, the Board concluded that the administration was sound and more importantly would continue to improve. The Board also noted that the partnership between LCC and WYPF was developing well.
- 4.6 The Board also received a report on the Pension Fund Risk Register at its September meeting and a further update on Asset Pooling.
- 4.7 At the December meeting, the Board received a presentation from KPMG, the Council's Auditor. There were no issues identified and the Auditor issued an unqualified opinion on the Report & Accounts for 2015/2016. It transpired that KPMG had decided to undertake a joint audit report for both the Council and the Pension Fund. The Board felt there should be a separate report for the Fund. KPMG agreed to consider two separate audit reports for the current year.
- 4.8 The Board received a further update on the pensions administration service from WYPF. It was reported that a review is being undertaken of all performance targets and timescales. There was further discussion on Life Certificates and WYPF vigorously defended sending out life certificates every seven years to all 18,000 members because of the additional information the procedure delivered. The Board also received an update on the triennial valuation process and results. There was also a further update on Asset Pooling.

- 4.9 At its final meeting of the year, the Board considered a number of issues including employer engagement which was considered to be comprehensive and very good. The Board also received a further update on asset pooling. In addition, the Board reviewed both the Valuation Update and Funding Strategy Statement and the Lincolnshire Pension Fund Investment strategy Statement.
- 4.10 The Board also considered its work programme for the 2017/2018 year – specific areas agreed so far are an administration update including performance against targets, complaints, a further update on pooling, reports from internal audit, a review of existing policies, the Annual Report & Accounts and further training requirements.

5. CONCLUSION

- 5.1 This is the second report of the Board. I consider the governance and administration of the Scheme to be sound. I am particularly impressed with Lincolnshire's compliance to the vast majority of tPR's Code of Practice. The triennial actuarial valuation results were produced relatively smoothly although members of both the Pension Committee and Pension Board challenged some of the assumptions. The Report & Accounts for 2015/2016 is an excellent document and there was an unqualified audit report. There is scope for enhancing the performance targets for the administration service and this is under consideration by WYPF. The Board is keeping a close watch on the LGPS pooling arrangements as the proposals unfold.
- 5.2 I would like to express my thanks to Jo Ray, Pension Fund Manager, her Team and the staff of the WYPF for the huge amount of work undertaken during the year. Finally, I should like to thank the four Board Members for their considerable input and support during the year.

ROGER BUTTERY
CHAIR
APRIL 2017