

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers

No Councillors attended the meeting as observers

Officers in attendance:-

Andrea Brown (Democratic Services Officer), David Forbes (County Finance Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund (WYPF)), Mike Norman (External Auditor, KPMG) and Jo Ray (Pension Fund Manager)

11 APOLOGIES FOR ABSENCE

No apologies for absence were received and all members of the Board were in attendance.

12 DECLARATIONS OF MEMBERS' INTERESTS

Mr D Vickers highlighted a potential interest due to an ongoing issue between Mouchel Pension Scheme, of which he is a Trustee, and the Lincolnshire Pension Fund which was administered by West Yorkshire Pension Fund. Although not relevant to any item on the agenda, the Board was asked to note the potential conflict of interest during consideration of future items.

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

There were no other declarations of interest at this point of the proceedings.

13 MINUTES OF THE PREVIOUS MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 25 JULY 2017

RESOLVED

That the minutes of the previous meeting of the LGPS Local Pension Board held on 25 July 2017 be agreed as a correct record and signed by the Chairman.

14 PENSION FUND EXTERNAL AUDIT COMPLETION REPORT

Consideration was given to a report from Jo Ray (Pension Fund Manager) which presented the Audit Completion Report undertaken by KPMG, the external auditors for the Council.

The Pension Fund Annual Report and Accounts for the year ending 31 March 2017 had been completed and approved by the Pensions Committee on 21 September 2017. KPMG had independently audited the Annual Report and Accounts and produced a joint ISA 260 report for LCC and the Pension Fund.

Two significant risks had been identified for the 2016/17:-

- Significant changes in the pension liability due to the triennial LGPS valuation; and
- The continuing weaknesses in the Agresso system control and financial reporting arrangements.

Changes to the disclosure requirements and the improving performance of the new pensions fund administrator arrangements were identified as areas of audit focus.

The financial statements audit did not identify any material misstatements within the Pension Fund accounts nor were there any matters directly arising from the audit work on significant risks applying to the Pension Fund.

The financial statements audit also found that the Annual Report complied with the requirements of the LGPS (Administration) Regulations 2008 and that the information contained was not inconsistent with the financial information within the audited financial statements.

The Chairman welcomed Mike Norman (Audit Manager, KPMG) to the meeting and invited him to present the report.

The Board was advised that the Audit Committee had raised no issues in relation to the report.

In relation to the fees, noted on page 18, additional work had been undertaken to identify significant risks at an earlier stage in the process. This work had incurred a charge of £994.00 in addition to the scale fee of £24,350 although this charge was subject to the approval of Public Sector Appointments on behalf of the National Audit Office.

Although the audit had been straightforward, there had been some anxiety due to the issues relating to the Agresso system. Despite this, the team were commended by KPMG as they had managed the workload and provided the relevant information to KPMG when required.

During discussion, the following points were noted:-

- It was noted that the issues with Agresso were improving, however the payroll system remained an area of concern;
- The Board was advised that the Council was engaged in a technical upgrade which was required for the system to continue to function. A road map was also being developed to improve the Agresso system as the original implementation required a number of improvements to enable full functionality;
- 160 cases of late payments of contributions had not been an issue during the audit as all cases had been worked through and resolved satisfactorily or an explanation provided as to why the information was inaccurate.

The Chairman thanked Mr Norman for his attendance and clear presentation and, on behalf of the Board, thanked him and his team for the work and support throughout the audit.

RESOLVED

That the Audit Completion Report be noted.

15 PENSIONS ADMINISTRATION REPORT

The Chair of the Board welcomed Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) to the meeting and invited him to introduce the report which provided a quarterly update on current administration issues.

Mr Gajra introduced the report and highlighted the following areas to noted:-

- The reasons for underperforming KPIs:
 - Deferred Benefits set up on leave – underperformance was given a low priority due to the volumes. Members were informed in writing that they would receive details of their benefits as soon as possible;
 - Change to Bank Details – 20 days were allocated to ensure changes were actioned and, although usually prioritised, some were missed;
 - Monthly Posting – internal processes needed to be improved as this showed the performance of employers performance which was the information received by them and not from WYPF. This could result in the figures being low due to the information received and although WYPF aim to process all information within 10 days, the information has to be accurate.
- The deadline to submit the Scheme Return (noted on page 27) was 27 October 2017 but this had been submitted in early October;
- Consultation was underway regarding the development of a member-led national Cross Pool Information Forum (CPF) for the LGPS in England and Wales. Consideration was being given to the membership as part of the consultation and it would be made up of Pension Committee members as opposed to officers;
- As a result of the Supreme Court rulings (detailed on pages 29 and 30), the Board was advised that all records were being reviewed in order to identify where payment entitlement was required;

- The Government had published their response to the pension scams consultation which confirmed that the plan would proceed with all three measures to tackle pension scams. Measures included introduction of a ban on cold-calling in relation to pensions; limitation of the statutory right to transfer so that individuals only have the right to transfer to certain schemes; and to allow only active companies to register a pension scheme except in legitimate circumstances.

During discussion, the following points were noted:-

- As there was no longer the compulsion to retire at the age of 65 the fund had 43 active members over the age of 70;
- WYPF indicated that they would only be concerned about the satisfaction rate if it were to drop below 75%;
- The Chair of the Board noted that the figure of 24196 quoted on page 23 for total active members did not mirror the figure of 21196 quoted on page 28 of active Annual Benefit Statements. WYPF was asked to provide clarification of the difference in the two figures;
- It was explained that some academies were paying less than local authority schools but some were paying more. At the 2013 valuation academies were given the option to remain on the LCC rate and to not take their true rate until the anticipated guidance from the Department for Education (DfE) had been received. That guidance had not materialised and at the latest valuation (2016) the option to remain on the LCC rate had been removed which had resulted in a considerable increase to those schools who had previously chosen to remain on the lower rate;
- In relation to exit payments, it was reported that the cap would be £95,000;
- Although the report noted, at paragraph 7.1, that the projected target cost per member would be £15.05, it was not anticipated that this would increase from the current cost per member of £13.85.

The Board asked that their congratulations be taken back to WYPF for their recent achievement in winning the Scheme Governance Award, hosted by the LAPF Investment Awards, on 19 September 2017.

RESOLVED

That the report be noted.

16 PENSIONS ADMINISTRATION DATA REPORT

The Board considered a report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) which presented the data cleansing activity undertaken by West Yorkshire Pension Fund, as the Fund's administrator, including the common data requirements of the Pensions Regulator.

Mr Gajra introduced the report and gave a presentation on General Data Protection Regulations (GDPR) highlighting the following areas:-

- What is it?
- BREXIT – does GDPR still apply?
- Data Protection Roles – Information Commissioner; Data Controller; Data Processor; and Data Subject;
- Data Protection Principles;
- Individual Rights – to be informed; of access; to rectification; to erasure; to restrict processing; to data portability; to object; in relation to automated decision making and profiling;
- Changes under GDPR – breach notification; right access (SARs); right to be forgotten; data portability; compliance by design (major change); inclusion of data protection from the onset of designing systems, policies and procedures including Private Impact Assessments (PIAs); and Data Protection Officer;
- Changes under GDPR – Privacy Impact Assessments (PIA); Privacy Statement; Fair Processing Notice; Consent; Children's data and Overseas members;
- Sanctions for Non-Compliance – a warning in writing of first and non-intentional non-compliance; regular periodic data protection audits; a fine of up to €20m or up to 4% of the annual worldwide turnover of the preceding financial year, whichever is greater. It was noted that LCC would be responsible for the fine as the Data Controller;
- What are we doing? – map out where data is gathered, held and processed; undertake Privacy Impact Assessments; Staff Briefings; Collaboration with other pension funds; Collaboration with CBMDC Information Governance team; Educating employers (AGM/Forum); Data Cleanse review; Contract/Data Sharing Review; Working with Civica;
- Questions?

During discussion, the following points were noted:-

- The Board indicated concern at the huge exercise involved in gathering the required information due to the new regulations;
- It was reported that implied consent was no longer possible and forms would be sent to all existing members asking them to give written consent to use personal information. The Board was asked to note that this may impact on the administration costs of the fund;
- There were in the region of 3400 leavers forms outstanding from LCC and, as a result, WYPF did not have up-to-date information for those people;
- Common data and conditional data testing were undertaken by WYPF internally and it was confirmed that there were 12,000 cases which did not satisfy the requirements and for which an external bureau would be engaged;
- Both common data and conditional data for Lincolnshire had been satisfied with the exception of the leaver data previously reported;
- It was suggested that the Pensions Regulator be made aware of the outstanding information and it was explained that as this was a small percentage of the full membership this was unnecessary. The Pensions Regulator recognised the complexities of public sector funds;

- Although the new regulations were accepted from the perspective of the individual, Pension Funds were in a difficult position as records had to be kept, in some cases, for decades to ensure payment could be made or to answer any member queries;
- Should a member "request to be forgotten", the implications of doing so would be explained to them, including the inability to make future pension payments.

RESOLVED

That the Pensions Administration Data report and presentation in relation to General Data Protection Regulations (GDPR) be noted.

At 11.30am, the Chairman adjourned the meeting for a comfort break.

At 11.35am, the meeting was reconvened.

17 PENSION FUND UPDATE REPORT

Consideration was given to a report by Jo Ray (Pension Fund Manager) which provided an update on Pension Fund matters and included current issues.

The latest engagement report of the Local Authority Pension Fund Forum (LAPFF) could be found on their website at www.lapfforum.org, highlights of which were noted:-

- Voting alerts in relation to executive pay had been issued to LAPFF members with binding pay policies at Carillion, Smith & Nephew, GlaxoSmithKline, BP, Shell, Babcock and WPP;
- A number of voting alerts had also been issued which recommended that members back shareholder resolutions on climate change disclosure at US energy firms PPL, Chevron and Exxon Mobil. These resolutions were in line with the policies of the LAPFF;
- An announcement was made that the LAPFF was to partner with the 50/50 Climate Project which was expected to enhance the Forum's actions to promote climate competent boards and enhance collective investor action;
- The LAPFF submitted a response to the consultation of the Green Paper, relating to Corporate Governance, which recommended that the problems with the FRC were so deep rooted that the FRC be disbanded and that a proper competent authority be set up in its place;
- An Executive Member of the LAPFF met with the Chairman of BT to discuss a number of issues including Brexit, the British economy and the recent accounting scandal and cybersecurity of BT; and
- An Executive Member of the LAPFF met with the Chairmen of Aberdeen Asset Management and Standard Life to discuss the imminent merger of the two companies
- BCPP had drawn up a responsible investment policy which had gone out to all underlying funds for comment with a request to align their own policies to the

BCPP policy. The Board was assured that LPF would use the BCPP policy to create their policy and that the BCPP policy and guidelines were to be presented to the Joint Committee on 20 October 2017 for approval;

- The Board was advised that a letter had been received from a scheme member in relation to responsible investments and their dissatisfaction in the investment in a tobacco company. A joint response had been drafted which would be shared with the Board. The issue had also been discussed at the Pensions Committee including the moral issue of other investment areas such as armaments, alcohol and fossil fuel, etc. It was confirmed that the Government could not direct investment and that the investment in the tobacco company (BAT) had returned 210% over the last seven years, compared to 80% for the FTSE 100 index, which the fund had greatly benefitted from.

The Pension Fund Manager continued by referring to the TPR Checklist Dashboard and, in particular, drew the Board's attention to B12 – Knowledge and Understanding, requesting that the last remaining member of the Board complete the Pension Regulators Toolkit.

F1 – Maintaining Accurate Member Data – The Lincolnshire Employers Administration Forum (LEAF) met on 17 October 2017 where a presentation on TPR requirements was given. The Board noted that the largest area of concern was in relation to academies with outsourced payroll functions. The importance of data cleansing was reiterated to all present.

H5 & H6 – Maintaining Contributions – a request had been made at the Pensions Committee that the Prudential be invited to attend a future meeting.

H1 – Maintaining Contributions – the Board was advised that the figure had further increased since the report was published and that 98% of Statements had now been issued.

In relation to the Risk Register, the Board noted that Risk 24 – UK Leaving the EU – remained red due to the uncertainty surrounding Brexit. Risk 22 – Team Workloads – unfortunately the recruitment process to appoint an Accounting, Investment and Governance Manager had been unsuccessful. It was reported that the Person Specification had been adjusted slightly in order to attract more applicants and made clear in the advertisement that a qualified accountant was required. The closing date for applications was 5 November 2017.

Members were invited to ask questions, during which the following points were noted:-

- It was confirmed that late contributions had increased since April but that extenuating circumstances were considered before implementing fines. Some employers were, however, repeat offenders but since fines were issue, the situation had improved. The Board noted that this issue was not unique to Lincolnshire but that it was more prevalent due to monthly posting;

LGPS LOCAL PENSION BOARD**18 OCTOBER 2017**

- HR colleagues had met with Serco colleagues to discuss leaver information and how to relay that information to WYPF more efficiently. Following discussion, it was suggested and agreed to arrange a meeting between the Pension Fund Manager, WYPF, Serco and HR to find a solution. It was also agreed to add this to the agenda for the next meeting of the Board and invite those involved to attend also;
- The Pension Fund Manager reported that following the appointment of the Chairman and Chief Executive of BCPP, an announcement was imminent to report the appointment of the Chief Operating Officer and two Non-Executive Directors;
- Councillor Whittington reported that the quality of presentations at the York event had been exceptional and hoped that this quality would continue for future events;
- The Chairman, attended the PLSA event in September, the theme of which was "Pension Boards Two Years on", and concern was noted that there were only twelve attendees from across the country. The event had highlighted that those Board representatives in attendance appeared to be working in the same way.

RESOLVED

1. That the Pension Fund Update report be noted.
2. That LCC Leaver Information be added to the agenda for the next meeting of the Board and to invite representatives from WYPF, Serco and HR to attend.

18 PENSION FUND ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report Jo Ray (Pension Fund Manager) which provided the Board with the Annual Report and Accounts.

The Lincolnshire Pension Fund Report and Accounts had been produced for the year ending 31 March 2017. The Council's external auditors, KPMG, had issued their opinion on the accounts, the draft version of which was included within the agenda pack at Appendix A.

The Pensions Committee approved the report in September 2017 following which it was presented to the Audit Committee at the end of September.

The Pension Fund Manager indicated that the Board had previously requested training on the accounts and asked that Board Members advise, via email, what elements they would like to be covered during the training/report at the next meeting.

The Board thought that the Annual Report and Accounts was an excellent and comprehensive document and looked forward to looking at it in more detail at the next meeting.

RESOLVED

That the Pension Fund Annual Report and Accounts be noted.

19 TRAINING NEEDS

The Pension Fund Manager confirmed that three Board Members had attended all or part of the two day training session organised for members of the Pensions Committee and Pension Board which were part of the Border to Coast Pensions Partnership (BCPP).

Three members had also attended the combined Pensions Committee and Board training held on 21 September which included an update on Lincolnshire's asset pooling progress and a presentation by the Pensions Regulator.

As agreed in the previous item, training on the annual accounts would be provided at the next meeting.

RESOLVED

That the update in relation to the training needs of the Board be noted.

20 WORK PROGRAMME

Following discussion, the Board requested that the following items be considered at the next meeting, scheduled for 18 January 2018:-

- Standard Fund Update Report;
- Serco & LCC Presentation (Leaver Information); and
- Details on the Annual Report (Training Element)

It was also requested that the next meeting be rearranged to enable all members of the Board to attend. All members were asked to provide availability to the Democratic Services Officer for week commencing 15 January 2018.

RESOLVED

1. That the items noted above be added to the agenda for the January 2018 meeting of the LGPS Pension Board; and
2. That the meeting in January be rearranged to enable all members of the Board to attend.

The meeting closed at 12.55 pm