

**LGPS LOCAL PENSION BOARD
25 JULY 2018**

PRESENT:

Independent Chair: Roger Buttery.

Employer Representatives: Councillor M A Whittington and Kirsty McGauley.

Scheme Member Representatives: Ian Crowther and David Vickers.

Officers in attendance:-

Katrina Cope (Senior Democratic Services Officer), David Forbes (County Finance Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) and Claire Machej (Accounting, Investment and Governance Manager).

5 APOLOGIES FOR ABSENCE

No apologies for absence were received. All members were in attendance.

6 DECLARATIONS OF MEMBERS' INTERESTS

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

7 MINUTES OF THE MEETING OF THE LGPS LOCAL PENSION BOARD
HELD ON 7 JUNE 2018

RESOLVED

That the minutes of the meeting of the LGPS Local Pension Board held on 7 June 2018, be agreed and signed by the Chairman as a correct record.

8 PENSIONS ADMINISTRATION REPORT

The Board gave consideration to a report from Yunus Gajra, Business Development Manager, West Yorkshire Pension Fund (WYPF), which provided a quarterly update on current administration issues.

Attached to the report for the Board's consideration were the following Appendices:

- Appendix 1 - Customer Survey Results;
- Appendix 2 - Feedback Summary;
- Appendix 3 – Employers Summary;
- Appendix 4 – Annual Benefit Statement/Active Member Newsletter;

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- Appendix 5 - Pensioner Member Payslip/P60.

Whilst guiding the Board through the report, the Business Development Manager, West Yorkshire Pension Fund made reference to the following:

- Key Performance Indicators for period one – 1 March 2018 to 31 May 2018. Reasons for underperforming were shown at the bottom of page 8 of the report presented. A question was asked as to whether the monthly posting target of 95% was realistic. The Board was advised that it was an area being looked at to see if it was achievable as each month more employers were coming in to the Fund;
- Scheme Information as at June 2018;
- Age Profile of the Scheme;
- Employer Activity – It was highlighted that from 1 March 2018 to 31 May 2018, four academies had become Scheme Employers; and that the West Yorkshire Pension Fund was currently working with 12 schools who were in the process of converting to academies or Prime Account Schools;
- Praise and Complaints – It was noted that the number of Lincolnshire member's sample survey letters returned should read 17 and not 172 as stated. Details of the Customer responses were shown in Appendix 1 to the report;
- Employer training and survey. Feedback from the two Employer sessions were shown in Appendix 2 to the report;
- Internal Disputes Resolution Procedures – Some concern was expressed to Stage two appeals against the scheme employer being handled by the West Yorkshire Pension Fund. Reassurance was given that these appeals were looked at totally independently by staff not directly involved in the administrative side of the Fund. The Board received an explanation relating to the two types of appeals;
- Ombudsman – A question was asked as to whether there would be any compensation from Prudential. Officers agreed to look into this matter;
- GDPR Update;
- Current Issues – The Board was advised that as a result of changes from 14 May 2018 relating to members with deferred benefits, numerous requests had been received for their early release;
- Proposed Changes not taken forward – Particular reference was made to paragraph 6.18 relating to Additional Voluntary Contributions;
- 2017 Local Government Scheme Annual Report;
- 2018 Scheme Return – Scheme-specific data;
- GMP Reconciliation – The Board was advised that work was ongoing reconciling GMP's with HMRC. Reassurance was given that all queries would be raised by the HMRC's deadline of 31 October 2018; and
- Finance – The Board was advised that the projected cost for 2018/19 for Pension Administration Shared Services had been estimated at £14.91. This figure was below the target cost of £17.00. Details of the shared cost per member were shown on page 19 of the report presented.

RESOLVED

That the Pensions Administration report presented be noted.

9 PENSION FUND UPDATE REPORT

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which provided an update on current Pension Fund matters and current issues.

Attached to the report at Appendix A was a copy of the TPR Checklist Dashboard; and Appendix B provided a copy of the Breaches Register for the Board's consideration.

Claire Machej, Accounting, Investment & Governance Manager presented the report to the Board.

The Board was reminded that each quarter, an update was given relating to the latest work of the Local Authority Pension Fund Forum had been engaged with. The Board was advised of some of the work that had been undertaken, which included:-

- Engagement with 21 companies on issues ranging from climate change resilience to human rights and due diligence process implementation;
- The Forum had published two reports at the beginning of the year on Share Buybacks and a second on Precarious Work;
- The Forum had been engaged with companies over cybersecurity management. The Board was advised that in this quarter they had engaged with Lloyds Banking Group with regards to the 2017 cyberattack; and
- The Forum had also liaised with several companies from the transport sector on their approach to climate risk and their role in a tightening regulatory tax environment.

It was reported that in relation to the TPR Checklist Dashboard, no areas had changed since the last quarter. The report highlighted the areas that were not fully completed and/or compliant. One particular area that was highlighted to the Board was 'B12 – Knowledge and Understanding – Have the Pension Board members completed the pension regulator's toolkit'. The Board expressed some concern that the Pension Fund Manager had still not received certificates from all Pension Committee members.

The Board agreed that the Pension Fund Manager should have a look into having Punter Southall, a company who offered toolkit training to provide two half-day training sessions; to which all members of the Pensions Committee and Pensions Board should be invited to attend. It was felt that this would then act as an annual refresher course for all members.

The Board was advised that information relating to the Breaches Reporting Policy was included within the report pack at agenda item seven. The Board was advised further that there had been two further breaches added to the Breaches Register since the last meeting of the Pensions Board.

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These were:

- Late payment of contributions – It was highlighted that there was a separate report at agenda item ten, which provide the Board with an update of all breaches over the financial year 2017/18; and
- Late receipt of member information – It was reported that the issue related to LCCs payroll provider, Serco, regarding their outstanding data submissions, particularly in respect of leavers. The Board was advised that LCC had reported themselves to the Pensions Regulator on 10 April 2018; and that an update would be received by the Board at agenda item nine.

The Board was also advised that information relating to the Risk Register would be considered as part of agenda item seven; and that an update on the progress of the Asset Pooling Project would be received in the report presented at agenda item six.

RESOLVED

1. That the Pension Fund Update report be noted.
2. That the Pension Fund Manager look into the possibility of Punter Southall providing two half-day training sessions for members of the Pension Committee and the Pension Board.

10 ASSET POOLING UPDATE

Consideration was given to a report from Jo Ray, Pension Fund Manager, which updated the Board on the progress of the creation of the Border to Coast Pensions Partnership Ltd, the Fund's chosen asset pool.

Claire Machej, Accounting, Investment and Governance Manager, guided the Board through the report.

The Board was advised that Border to Coast was now live, and that Border to Coast had also received Financial Conduct Authority (FCA) approval (FCA) for the first four sub-funds in May 2018. It was noted that Border to Coast had completed their statutory accounts, under the small companies' exemption, for the first period of operation to 31 March 2018; this then allowed for future statutory financial period ends to be aligned to the Partner Funds.

In addition to the update provided within the report, it was reported that at the Joint Committee meeting held on 10 July 2018, Councillor Sue Ellis from South Yorkshire and Councillor John Weighall from North Yorkshire had been nominated to the two Shareholder Director positions. The Joint Committee's terms of reference had moved to phase two, now that Border to Coast had gone live. It was also reported that Councillor Doug McMurdo, from Bedfordshire and Councillor Tim Evans, from Surrey had been elected to the positions of Chairman and Vice-Chairman of the Joint Committee. It was highlighted that there was to be further discussion regarding the co-opting of a scheme member representative on to the Joint Committee.

The Board was advised that Peter Jones had attended one of the two advisor days held in May by Border to Coast, and that the feedback had been that he had generally been impressed with the management team; and the matters covered on the day. It was also highlighted that feedback from the manager open days was that it had been well received.

It was reported that the opinion from Legal Counsel regarding the sharing of transition costs had been received and that Border to Coast were liaising with the Ministry of Housing, Communities & Local Government (MHCLG) regarding options for the Partner Funds. The Board noted that the Lincolnshire Fund was not involved in the first transitions; this allowed time for the Council and Border to Coast to learn from those that had transitioned early.

The Board noted that the first externally managed sub-fund would be launched in quarter four later in the year (UK Equities) and that Global Equities would then follow; which was likely to be quarter one of 2019. The Board noted further that the Pension Fund Manager had been involved in the External Manager Workshops.

The report confirmed that two Customer Relationship Managers had been appointed who were Mat Dawson (ex-Warwickshire County Council Pension Fund) and Andrew Stone (ex - L & G Investment Manager), both of whom had been invited to present to the December 2018 Pensions Committee meeting. It was also highlighted that Robecco had been appointed by Border to Coast as voting and engagement provider.

In conclusion, the Board was advised that officers were working closely with Border to Coast as assets were beginning to be transitioned.

During a short discussion, the matter of the co-opted scheme member representative on to the Joint Committee was raised; as it was unsure how many representatives there would be. Confirmation was given that this matter was to be discussed at the next Joint Committee meeting. Some concern was also made to governance issues; and whether there was any possibility of getting all Pension Board Chairmen together.

RESOLVED

That the Asset Pooling Update report be noted.

11 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which brought to the Board the main policies of the Pension Fund for review.

It was highlighted that under the various Local Government Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, was required to produce and maintain a number of key policy documents.

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The Board was advised that the Pensions Committee had reviewed and approved the Appendices supporting the report. The Accounting, Investment and Governance Manager highlighted to the Board the changes that had been made to each of the Appendices.

- Appendix A – Investment Strategy Statement – It was noted that information had been added relating to the responsible investor policy and voting framework, that had been agreed by the Pensions Committee at their October 2017 meeting;
- Appendix B – Funding Strategy Statement – The Board was advised that a note had been added about the change to Cessation Arrangements due to a change in the regulations. It was highlighted that any surpluses calculated on cessation of an employer must be repaid to the exiting employer. It was highlighted further that these had previously been retained by the Fund;
- Appendix C – Communications Policy – The Board was advised that reference to the members Roadshows had been added; and that reference to the Annual Members Meeting had been deleted. It was noted that the Annual Meeting had been stopped due to poor attendance; and it was hoped that the roadshow approach across the county would increase attendance;
- Appendix D – Governance Policy and Compliance Statement. It was highlighted that the document had been extended to include Asset Pooling Governance. The Board was also advised that the Council's Constitution would also need to be amended to reflect the changes;
- Appendix E – Stewardship Code Statement – The Board was advised that there were no changes planned at present;
- Appendix F – Breaches Reporting Procedure – The Board was advised that there were no changes planned at present; and
- Appendix G – Risk Register – The Board were invited to consider the Risk Register presented. It was highlighted that there was only one red risk at the moment. Following a short discussion, the Board agreed to do a more in depth look at 3 items on the risk register for the 11 October 2018 meeting.

RESOLVED

1. That the Lincolnshire Pension Fund Policies Review Report and associated Appendices be noted.
2. That three items from the risk register be selected for a more in-depth review at the 11 October 2018 Pension Board meeting.

12 INTERNAL AUDIT OF THE PENSION FUND

Consideration was given to a report from Jo Ray, Pension Fund Manager, which provided information on the internal audits which had taken place over the past year on the Lincolnshire Pension Fund and on the administration service provided by the West Yorkshire Pension Fund.

Claire Machej, Accounting, Investment and Governance Manager advised that the Pension Fund was regularly audited by a number of different parties: the Council's internal audit team, KPMG, the Council's external auditors, the City of Bradford Metropolitan Council's internal auditors on the shared pensions Administration service. It was highlighted that the West Yorkshire Pension Fund also undertook a number of quality audits each year, ensuring that processes and policies were followed across the Pensions Administration section, details of these were shown in Appendix B to the report. Details relating to the internal audits carried by the Council relating to Key Control Testing and Pensions Administration were detailed within the report at pages 161 and 162. A copy of the LCC Internal Highlight report was attached to the report at Appendix A. It was noted that the conclusion drawn from the audit was that LCC internal audit were able to place assurance on the robust nature of the audits completed by Bradford Metropolitan Council on the West Yorkshire Pension Fund.

The Board was advised that a number of quality internal audits had been carried out by the West Yorkshire Pension Fund details of which were shown on page 164 of the report.

In conclusion, the Board was advised that the Pension Fund was regularly audited by external and internal audit to ensure that processes and controls were in place to manage both the investments and pensions administration effectively.

RESOLVED

That the Internal Audit of the Pension Fund report be noted.

13 EMPLOYER ISSUE - LCC IMPROVEMENT PLAN

Consideration was given by the Board to a report from Jo Ray, Pension Fund Manager, which provided an update and assurance on the progress in addressing the issue of outstanding leaver's information; and controls for data submission.

Claire Machej, Accounting, Investment and Governance Manager reminded the Board that the matter had been brought to their attention at their January meeting; and that the improvement plan had documented the actions to be taken to provide the West Yorkshire Pension Fund all outstanding leavers' information for 31 May 2018, which would allow West Yorkshire Pension Fund to process and issue all Annual Benefit Statements to employees within the statutory deadline. A further report had then been received at the March meeting, following which the Board's concerns had been raised with the Executive Director for Finance and Public Protection, which advised the Executive Director to self-report the breach to the Pension Regulator. The Council had subsequently self-reported the breach to the Pension Regulator. The Board had at their March meeting also requested a further update on the situation in June, as all information should have been submitted to the West Yorkshire Pension Fund.

The situation reported in June was that the backlog had not been fully cleared; the remaining 500 cases (approximately) were the more complex ones and required

further information for completion. The Board was reassured that the backlog would be cleared within three months. The latest details as at the time of the report were shown on page 184 for the Board's consideration.

The report highlighted that the Leavers backlog was around 320 and was slowly reducing. The Board was advised that the Annual Benefit Statements queries had reduced; and the part time hour's mismatch had now reduced to 940.

The Board was advised that there were now monthly meetings between West Yorkshire, LCC and SERCO to improve communication; and to help resolve any future issues quicker.

Yunus Gajra, Business Development Manager, West Yorkshire Pension Fund advised that there were currently 618 leaver forms outstanding; this figure included current cases and normal requests. Some concern was expressed as to whether the number reported would be cleared by the end of September 2018. The Board was advised that the backlog needed to be cleared, as lots of members were in a state of uncertainty; and that some of the 320 leavers were coming up to pensionable age. Confirmation was given that all leavers coming up to pensionable age were being monitored.

One member queried as to what response had been received from the Pension Regulator.

The Board was advised that they had no confidence that the backlog would be cleared by the deadline. It was agreed that the Accounting, Investment and Governance Manager would look into what had been received from the Pension Regulator; and to the current situation in relation to the backlog situation. Once the current information was received, it was agreed that the Chairman of the Board would consider writing a letter to the Executive Director of Children's Services with a copy to the Section 151 Officer expressing the concerns of the Board; and to highlight the reputational risks to the Council.

RESOLVED

1. That the Employer Issue – Lincolnshire County Council Improvement Plan report presented be noted.
2. That once accurate backlog information was received. The Chairman of the LGPS Local Pension Board, in consultation with the rest of the Board consider writing a letter to the Executive Director of Children's Services (copy to be sent to the Council's Section 151 Officer) expressing the concerns of the Board regarding the backlog situation; and to the potential reputational risk to the Council.

The Pension Board gave consideration to a report from Jo Ray, Pension Fund Manager, which provided quarterly information on any late receipt of employer data or payments as part of the Fund Update report.

In guiding the Board through the report Claire Machej, Accounting, Investment and Governance Manager, made reference to the fact that all employers had a statutory responsibility to ensure that contributions were paid over to the Fund by the 19 of the month following their payroll. The report highlighted that there were robust processes in place for monitoring the receipt of payments and data from employers. Details of the process following when an employer pays or submits data late was described on page 188 of the report.

Appendix A provided the Board with a list of Late Payers for 2017/18. It was highlighted that most of the repeat offenders were academies/schools that were using external payroll providers. The Board noted that a number of academies had switched provider as a result of poor service, it was highlighted that it was hoped that the number of repeat offenders would reduce.

It was reported that during the current financial year, no employers had been referred to the Pension Regulator.

In conclusion, the Board was advised that the increase in employers over the last few years had meant that the monitoring of employer submissions had become a growth area for the Fund. The Board was advised further that the Fund and West Yorkshire Pension Fund continued to work very closely with employers and their payroll providers to ensure that there was an understanding of their responsibilities.

Following a short discussion, the Board agreed that for the 11 October 2018 meeting consideration would be given to the first five months data relating to late payers for 2018.

RESOLVED

1. That the Annual Review of Employer Submission report presented be noted.
2. That the first five months data relating to late payers for 2018 be presented to the 11 October 2018 meeting for the Board's consideration.

15 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which presented the draft Annual Report and Accounts for the Pension Fund.

Attached at Appendix A was a copy of the Lincolnshire Draft Pension Fund Annual Report and Accounts for 2018. The Board was advised that the Pension Fund Report and Accounts had been approved by the Pensions Committee on 19 July 2018; and that the County Council Accounts had been approved by the Audit Committee on 23 July 2018. It was reported that a summary of the Annual Report would be sent to all interested parties in due course.

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Following a short discussion, it was agreed that an invitation should be extended to Mike Norman (External Audit) to attend the October meeting.

RESOLVED

1. That the Pension Fund Draft Annual Report and Accounts presented be noted.
2. That Mike Norman (External Audit) be invited to attend the October meeting.

16 **TRAINING NEEDS**

Dave Vickers, Scheme Member Representative advised that he had attended some CIPFA training in London, which he had found very useful. It was agreed that a copy of the presentation slides would be forwarded on to the Chairman.

Claire Machej, Accounting, Investment and Governance Manager highlighted to the Board a number of forthcoming training opportunities, all of which had been circulated to Board members, as part of the monthly update letter.

Particular reference was made to the 'Asset Allocation Training in a Post Pooling World', which had been organised for the Pensions Committee and the Board on Tuesday 11 September 2018 at 2.00pm; and to the Annual Border to Coast Conference scheduled to be held on the 8 and 9 of November 2018.

Confirmation was given that officers would maintain a log of all training undertaken by Board members.

17 **WORK PROGRAMME**

Claire Machej, Accounting, Investment and Governance Manager highlighted to the Board the items for consideration at the October meeting. These were:

- Employer Issue – Further update from LCC regarding the Improvement Plan;
- Risk Register – consideration of three items;
- External Audit (LCC) – (Mike Norman to attend); and
- Employer Data – first five months of 2018.

The Board was advised that there was to be a training session in February 2019 to focus on the 2019 Valuation to which Pension Committee and Pension Board members would be invited to attend.

Consideration was also given to Pension Board meetings taking place on the same day as the Pensions Committee from January 2019. The Board were happy with this concept. Officers agreed to look into this matter.

The meeting closed at 12.25 pm