



LGPS LOCAL PENSION BOARD

THURSDAY, 9 JANUARY 2020 at 2.00 PM

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

MEMBERS OF THE BOARD

Independent Chair (non-voting): Roger Buttery

Employer Representatives (voting): Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives (voting): Kim Cammack and David Vickers

AGENDA

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| 2 | Declarations of Interest | |
| 3 | Minutes of the previous meeting held on 3 October 2019 | 3 - 10 |
| 4 | Pension Fund Update Report <i>(To receive a report from the Head of Pensions, which updates the Board on Fund matters and any current issues)</i> | 11 - 42 |
| 5 | Pensions Administration Report <i>(To receive a report from the Business Development Manager - WYPF, which provides an update on current administration issues for the Fund)</i> | 43 - 60 |
| 6 | Data Scores <i>(To receive a report from the Business Development Manager - WYPF, which updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator (TPR) as required under this year's TPR returns)</i> | 61 - 76 |

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| 7 | Temporary Bank Accounts <i>(To receive a report from the Business Development Manager - WYPF, which provides an updates on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries to the scheme)</i> | 77 - 82 |
| 8 | Employer Monthly Submissions Update <i>(To receive a report from the Accounting, Investment and Governance Manager, which provides up to date information on Employer Monthly Submissions for the second quarter of the financial year 2019/20)</i> | 83 - 88 |
| 9 | Border to Coast Pension Board Chairs' Meeting <i>(To receive a report from the Accounting, Investment and Governance Manager, which sets out the minutes from the Border to Coast Pension Board Chairs' Meeting held on 10 October 2019)</i> | 89 - 92 |
| 10 | The Pensions Regulator - Governance and Administration "Deep Dive" Engagement Report <i>(To receive a report from the Accounting, Investment and Governance Manager, which introduces The Pensions Regulator's Governance and Administration risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds)</i> | 93 - 118 |
| 11 | Training Needs <i>(To allow the Board to identify any possible training needs)</i> | 119 - 130 |
| 12 | Work Plan <i>(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)</i> | |

Published on Tuesday, 31 December 2019

Should you have any queries on the arrangements for this meeting, please contact Cheryl Evans via telephone 01522 552113 or alternatively via email at cheryl.evans@lincolnshire.gov.uk



LGPS LOCAL PENSION BOARD 3 OCTOBER 2019

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Cheryl Evans (Democratic Services Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Peter Summers (Hymans Robertson).

16 APOLOGIES FOR ABSENCE

There were no apologies for absence.

17 DECLARATIONS OF INTEREST

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

Gerry Tawton declared that his wife was a deferred member of the Pension Fund.

18 2019 VALUATION UPDATE REPORT

Consideration was given to a summary of a presentation by Peter Summers, Hymans Robertson, which was presented to the Pensions Board.

The presentation covered the progress of the valuation to date; the initial results for the whole Fund; the Funding Strategy and the next steps.

Members were advised that the Fund had continued to grow in size and was making good progress and that the number of deferred members had held steady.

Following consideration by the Pensions Committee at its meeting on 3 October 2019, it had been agreed to set the Assumed Future Investment Return to 4% per annum.

**LGPS LOCAL PENSION BOARD
3 OCTOBER 2019**

The Chairman of the Board relayed the deliberations of the Committee to the Board. The Board supported the decision made by the Committee on the Assumed Future Investment Return.

It was stated that the current position of the Fund was good and it was making good progress but it should continue to make progress.

RESOLVED

(1) That the report be noted.

(2) That the decision of the Pensions Committee to set the Assumed Future Investment Return at 4% be noted.

On behalf of the Board, the Chairman congratulated the Head of Pensions on receiving the Outstanding Contribution of the Year award at the LAPF Investment awards.

19 MINUTES OF THE PREVIOUS MEETING HELD ON 18 JULY 2019**RESOLVED**

That the minutes of the meeting held on 18 July 2019 be approved as a correct record and signed by the Chairman, subject to *Councillors*: being removed from the fourth line on the front page of the minutes.

20 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters over the quarter ending 30 June 2019.

The Board was provided with updates on the following:

- Local Authority Pension Fund Forum Membership;
- The Pension Regulator (TPR) Checklist Dashboard;
- Risk Register Update;
- Asset Pooling Update;
- Investment Consultant Objectives; and
- Conference and Training Attendance.

The Board was advised that all members of the Pensions Committee, except the newly appointed Small Scheduled Bodies Representative, had completed The Pensions Regulator Toolkit. It was anticipated that the new member would complete the Toolkit prior to the next scheduled meeting of the Pensions Committee.

It was noted that the Fund had made its first investment with Border to Coast, into the Global Equity Alpha Fund. The next investments were expected to be into the Investment Grade Credit and the Multi Asset Credit funds, where approval had been

given, subject to appropriate due diligence, at the meeting of the Committee in June 2019.

Members were invited to provide updates on any conferences or training events that they had attended in recent months.

In response to a question, it was advised that the Pensions Committee had agreed to delegate authority to the Executive Director – Resources, in consultation with the Chairman and Vice-Chairman of the Committee, to agree a set of objectives for the Fund's Investment Consultant. It was noted that the Board would receive information on the agreed objectives.

RESOLVED

That the report be noted.

21 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report from The Business Development Manager, West Yorkshire Pension Fund, which provided an update on current administration issues within the Fund.

It was advised that there was a typing error in paragraph 1.2 of the report, and that the performance information covered the period 1 April to 30 June 2019.

Members received an update on the following issues:

- Performance and Benchmarking;
- Scheme Information;
- Member and Employer Contact;
- Internal Disputes and Resolution Procedures;
- An Administration Update;
- Current Technical Issues; and
- Shared Service Budget.

The Board was invited to ask questions, to which the following responses were given:

- The issue of the Annual Benefit Statements and Deferred Benefit Statements, which had included more information and options to each member, had led to an increased number of enquiries to the team.
- Reference was made to the table under the Shared Service Budget section of the report, as detailed on page 33 of the Agenda Pack, and it was requested that this information be improved to incorporate Lincolnshire focused data, rather than the West Yorkshire Pension Fund (WYPF) as a whole. It was requested that the Business Development Manager, WYPF, improve this section of the report.

RESOLVED

- (1) That the report be noted.
- (2) That the Business Development Manager, West Yorkshire Pension Fund, improve the section of the report on the Shared Service Budget so that it included Lincolnshire-focused information.

22 TEMPORARY BANK ACCOUNTS

Consideration was given to a report from the Business Development Manager, West Yorkshire Pension Fund (WYPF), on the number of temporary bank accounts created by the WYPF to hold monies due to beneficiaries of the scheme.

It was advised that the number of temporary deposit accounts held for lost contact pensioners/deferred had increased from 56, which had been reported at the last meeting of the Board, to 64. A full breakdown of the number of accounts opened and closed was detailed at Appendix 1 to the report.

The number of temporary deposit accounts for Post 2014 Preserved Refunds had increased from 7 to 38. However, this was expected as more members reached their five year deadline. It was noted that the National Technical Group (NTG) had contacted the Scheme Advisory Board to request a change in the Local Government Pension Scheme Regulations 2013 to remove the requirement for a refund to be paid within five years. The NTG was awaiting a response.

The Board was assured that payments into temporary bank accounts were only made when all tracing options had been exhausted. The accounts were regularly monitored and were closed when members were located.

RESOLVED

- (1) That the report be noted.
- (2) That a further update be presented to the next meeting of the Board.

23 DATA SCORES

Consideration was given to a report from the Business Development Manager, West Yorkshire Fund (WYPF), which provided an update on the data scores for Lincolnshire Pension Fund reported to The Pension Regulator (TPR), as required under this year's TPR returns.

Data quality was important to the Fund, as well as being a requirement of TPR; it could affect the employer contributions at the next valuation and could impact on the reputation of the Fund.

The Fund continually reviewed the quality of data held throughout the year and strived to keep it as complete, accurate and up-to-date as possible. TPR required Funds to undertake a review of data quality at least annually and the report consolidated the work undertaken in compliance with the requirement.

The Board was advised that whilst the data quality was considered to be good within the Fund, there were improvements that could be made and as a result, a data improvement plan had been developed. The Plan was detailed at Appendix A to the report.

In response to a question, it was advised that the number of records for missing earnings, as detailed on page 52 of the Agenda Pack, would further reduce from 771. The majority of cases were awaiting leaver/pensioner benefits to be calculated.

RESOLVED

- (1) That the report and the Data Improvement Plan be noted.
- (2) That a further update be provided at the next meeting of the Board.

24 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided up to date information on Employer Monthly Submissions for the first quarter of the financial year 2019/20 (March to June).

A summary of all late contributions or data submissions since April 2019 was set out in table one on page 70 of the Agenda Pack. A summary of employers receiving a fine for late submissions was set out in table two and details of the individual employers for quarter one could be found at Appendix A to the report.

The Board was advised that changes in payroll providers as well as staffing changes were two of the main reasons for late or incorrect submissions.

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

- Members raised concerns and questioned what actions were being taken against large employers who were repeatedly submitting late or incorrect data. It was clarified that an email was sent out to each employer, which included a payroll contact, finance contact and a strategic contact. The emails were sent out every month and included a senior contact from the organisation. The Accounting, Investment and Governance Officer personally contacted some employees and engaged in discussion.
- The complexity of the data that needed to be provided and the reasons why submissions may be difficult for new payroll providers were acknowledged.
- Members were concerned that there were still employers submitting late or inaccurate data despite the increase in fines. It was highlighted that the Pension Committee had requested that the escalation process be reviewed by officers, as the Committee was not satisfied with the number of late or

incorrect contributions. The Accounting, Investment and Governance Manager would report the results of the review to the next meeting of the Board.

- It was also suggested that a letter could be issued by the Chairman of the Board to those employers who were repeat offenders to encourage an improvement.

RESOLVED

- (1) That the report be noted.
- (2) That the proposed review of escalation processes be supported.
- (3) That consideration be given to a letter being issued by the Chairman of the Board to those employers that were repeat offenders to encourage an improvement.

25 PENSION FUND EXTERNAL AUDIT REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager, which summarised the findings from the work undertaken by the Council's External Auditors, Mazars, who had given their opinion on the Pension Fund Accounts and Annual Report.

The Board was informed that the External Auditors had not identified any risks with regards to the management override of controls; valuation of unquoted investment for which a market price was not readily available; and key areas of managed judgements.

It was noted that Mazars had identified one unadjusted misstatement, which was linked to the valuation of private equity and infrastructure assets at year end. The Board was advised that this unadjusted misstatement occurred every year due to a time-delay in data. It was confirmed that the Fund's accounting policy had been updated to address this issue.

RESOLVED

That the report be noted.

26 THE PENSIONS REGULATOR - PUBLIC SERVICE GOVERNANCE AND ADMINISTRATION SURVEY 2018 - RESEARCH REPORT

The Accounting, Investment and Governance Manager presented a report which introduced the Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report. A copy of the report was detailed at Appendix A to the Board's report.

It was advised that the Research Report had set out results from the 2018 survey on how schemes were meeting their requirements and the standards to which they were being managed.

In response to a question, it was confirmed that *cyber security* was included on the Council's Risk Register.

RESOLVED

That the Pensions Regulator's report and its survey findings be noted.

27 DRAFT FUNDING STRATEGY STATEMENT

Consideration was given to a report by the Head of Pensions, which presented the draft Funding Strategy Statement (FSS) for information, which was detailed at Appendix A to the report. The FSS was reviewed every three years.

The Board was informed that the draft FSS would be sent to all employers in the Fund for consultation in November 2019, and would be brought back to the Committee for the final approval in March 2020. The final FSS would be presented to the Board for information.

RESOLVED

That the report be noted.

28 TRAINING NEEDS

The Board was reminded that the Pension monthly newsletter contained information on relevant external training courses. Should any of the members wish to book onto one of these events, they should contact a member of the team.

A training session for the Pensions Committee and the LGPS Pension Board had been scheduled for 13 February 2020. The topic was yet to be confirmed.

29 WORK PLAN

The Accounting, Investment and Governance Manager set out the proposed work plan for the next meeting of the Board.

It was agreed that further updates on the Temporary Bank Accounts and The Pension Regulator Data Score be presented to the next meeting of the Board.

The meeting closed at 5.00 pm.

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Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|----------------------------|
| Report to: | Lincolnshire Pension Board |
| Date: | 9 January 2020 |
| Subject: | Pension Fund Update Report |

Summary:

This report updates the Board on Fund matters over the quarter ending 30 June 2019 and any current issues.

The report covers:

1. Local Authority Pension Fund Forum Membership
2. TPR Checklist Dashboard
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Good Governance Review

Recommendation(s):

That the Board note the report.

Background

1 Local Authority Pension Fund Forum Membership

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

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.

- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.
- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- **Consultations** – to respond to any relevant consultations.

1.2 The latest LAPFF engagement report can be found on their website at www.lapfforum.org. Some of the highlights during the quarter included:

- During this quarter, LAPFF engaged with 108 companies on issues ranging from human rights and Board composition to climate change reporting and environmental risk.
- Along with Sarasin, Church Commissioners and Royal London Asset Management, LAPFF has been engaging with Glencore over concerns about corruption in the Democratic Republic of Congo. The issues raised during this engagement prompted the Forum to send engagement requests to four other companies embroiled in corruption probes – Shell, ENI, Petrobras and Total.
- LAPFF issued a voting alert related to Sports Direct, a company that has recently faced the ire of investors after its latest results highlighted underwhelming performance as well as substantial unpaid taxes. These issues led to the company's primary auditor, Grant Thornton, announcing the intention to resign ahead of the company AGM. It is clear to LAPFF that although the Board has undergone significant change in recent years - improving independent oversight at Board level - the new directors have not held Mr Ashley to account. As a result, LAPFF recommended that member funds vote to oppose the entire board, and in addition recommended opposing the report and accounts, which are unlikely to give an accurate view of the business.
- LAPFF also issued a voting alert at Ryanair. LAPFF has requested that the company improve its governance practices for a number of years. Despite signing recognition agreements with a number of unions, Ryanair management still appears to struggle to work constructively with unions and staff to negotiate mutually beneficial terms and conditions of employment. With a board lacking in independence, LAPFF considers the board should be refreshed with a greater proportion of independent directors and skill sets appropriate to address and challenge the current company positions. On this basis, LAPFF recommended that members vote to oppose all board directors who are not independent.

- Changes to secure investment in the Just Transition were discussed at the Liberal Democrat, Conservative and Labour conferences. Organised by the Smith Institute, the meetings provided a platform for LAPFF to set out what these changes should be. Both the LAPFF Chair, Cllr Doug McMurdo, and Vice-chair, Cllr Rob Chapman, identified that partnership was critical to the success of the Just Transition. So a core recommendation from LAPFF was that the UK government should establish a Just Transition Commission, along the lines of the Scottish Commission, to bring public and private sectors together.

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

2 TPR Checklist Dashboard

- 2.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at Appendix B. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.
- 2.2 No areas have changed since the last quarter's report.
- 2.3 The Areas that are not fully completed and/or compliant are listed below.

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 submissions and employer training are improving data accuracy, 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.

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 and employer training are improving this process.*

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.

3 Breaches Reporting - update

3.1 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 quarterly meeting, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 8, updating the Board on all monthly employer contribution breaches over quarter (July to September).

4 Risk Register Update

4.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Board to be considered.

4.2 There have been no changes to the risk register since its annual review at the July meeting of this Board. There is just one risk that remains red, as shown below. This was added in June 2016 as a result of the Brexit vote, and given the continuing uncertainty as to how this will play out, it is felt that the red status is still appropriate.

| Risk 24 | Consequences | Controls | Risk Score* | |
|-------------------|---|---|-------------|---|
| | | | L | I |
| UK leaving the EU | Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities | Increased monitoring of managers Review investment strategy Regular | | |

| | | | | |
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| | Uncertainty of political direction re pooling | communications with Committee and Board | | |
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*As a reminder, L is Likelihood and I is Impact.

5 Asset Pooling Update

Sub Funds

- 5.1 The Fund made its first investment with Border to Coast in October, into the Global Equity Alpha Fund. The transition was managed by Blackrock, and overseen by Inalytics. Generally the transition went very well, and Inalytics has provided an interim report stating that they were satisfied with the transition work undertaken by Blackrock. The transition incurred a higher than estimated implementation shortfall (a standard measure for transitions) as the target portfolio significantly out-performed the legacy portfolio during the transition. To assist in the oversight of the governance in respect of the transition of assets to Border to Coast, the final transition report will be shared with the Board once it is available.
- 5.2 The next investments are into the Investment Grade Credit, in early 2020 and Multi Asset Credit, in the second half of 2020. An overview of both of these funds was included in the Border to Coast presentation to the Pensions Committee in December.
- 5.3 The development of the Alternatives products have progressed well, with the Private Equity, Infrastructure and Private Debt sleeves open and they have made their first commitments. Discussion is still being had with Funds and advisors on the other alternative requirements. As the Board are aware, Lincolnshire Pension Fund will not be transitioning across to the Alternatives offering until all sleeves are available, and the Fund is satisfied that Border to Coast are able to offer a fully managed solution, akin to the Morgan Stanley mandate currently held.
- 5.4 Officers and advisors across the Partner Funds have continued to work closely with Border to Coast on the development of the sub-fund products, with a number of workshops attended and planned to discuss requirements and agree structures.

Joint Committee Meetings

- 5.5 Prior to the Joint Committee (JC) meeting held on 20 November, members of the JC were given a briefing on Responsible Investment (RI) by Jane Firth, Head of RI at Border to Coast. This provided members with an overview of the work that had been done on RI to date, and also sought to obtain views from the Partner Funds on the future direction. It was agreed that a further meeting solely on RI would be useful, and this is being organised for the new year.

5.6 The papers of the November JC were circulated to all Pension Board members. The minutes will be circulated once approved, and below are the agenda items for the meeting:

- Election results for the Role of Chairman and Vice Chairman of the Joint Committee and for the Border to Coast Board
- Joint Committee Budget
- Responsible Investment Policies – Annual Review 2019
- Performance Report
- Border to Coast Asset Transfer Planning 2020-2023
- Border to Coast ACS – Multi Asset Credit (MAC) Offering
- Chief Executive Officer (CEO) Report

5.6 The election for the second Partner Fund Director (replacing Cllr Sue Ellis - South Yorks) was held and, following a postal ballot, Cllr Jeff Watson (Northumberland) was selected to be put forward to the Border to Coast Board

5.7 The next JC meeting is being held on 9 March 2020 and papers will be circulated to Board members. Any questions or comments on the papers should be directed to the Pensions Committee Chairman Cllr Strengiel, who can raise them at the meeting.

Shareholder Matters

5.7 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.

5.8 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.

5.9 There was just one shareholder resolution since the last report. This was a request to extend the office space for Border to Coast by entering into a

lease to secure an additional floor within the current building at Toronto Square. This was passed with the required majority of 75%.

- 5.10 Border to Coast held its annual conference in Leeds on 10 and 11 October. This was well attended with some excellent feedback. The dates for the 2020 conference will be 1 and 2 October.

6 Good Governance Review – Phase II

- 6.1 Following on from the phase I of the Good Governance Review detailed at the July meeting of this Board, phase II has now been completed, and the report was published in November (attached at appendix C). The Scheme Advisory Board (SAB) had agreed to constitute two working groups to take forward the proposals included in the original report. Hymans Robertson was appointed to assist the working groups in this next phase of the good governance project.
- 6.2 The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wished to see achieved by Funds under the proposed approach, and how these outcomes should be evidenced.
- 6.3 The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that would be required to independently assess funds against this framework.
- 6.4 The phase II report includes detailed implementation proposals from the workstreams, including a list of the changes required to guidance to implement this framework.
- 6.5 The table below summarises the proposed changes.

| Area | Proposal | |
|-----------------|----------|---|
| A. General | A1 | MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance"). |
| | A2 | Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer"). |
| | A3 | Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer. |
| B. Conflicts of | B1 | Each fund must produce and publish a conflicts of |

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| interest | | interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance |
| | B2 | The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB. |
| C. Representation | C1 | Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party. |
| D. Knowledge and understanding | D1 | Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively. |
| | D2 | Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding. |
| | D3 | Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements. |
| | D4 | CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus. |
| E. Service delivery for the LGPS function | E1 | Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes. |
| | E2 | Each administering authority must publish an administration strategy. |
| | E3 | Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service. |
| | E4 | Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and |

| | | |
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| | | budget allocated to deliver the LGPS service over the next financial year. |
| | E5 | Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function. |
| F. Compliance and improvement | F1 | Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts. |
| | F2 | LGA to consider establishing a peer review process for LGPS Funds. |

6.6 Should SAB and MHCLG accept the proposals contained in the report, phase III of the project will be initiated. This is expected to contain the elements listed below:

- MHCLG to draft the required changes to the Guidance.
- SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
- SAB to establish the 10-15 KPIs referred to within proposal E.3.
- It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.

6.7 As the Board can see, there are a number of proposals that the Fund already does, and a number where additional work will have to be completed to meet the new standards. Officers will bring further detail to the Board in the new year once it is available.

Conclusion

7 The Fund Update report is a quarterly report to the Pension Board, to update the Board on Pension Fund matters and any current issues.

- 8 The phase II report of the Good Governance review was published in November and contains a list of proposals for SAB and MHCLG to consider. Should they be accepted, phase III of the review will begin, which will create the framework for the improved governance requirements.

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

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| These are listed below and attached at the back of the report | |
| Appendix A | TPR Checklist Dashboard |
| Appendix B | Breaches Register |
| Appendix C | Good Governance in the LGPS |

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 | No | Completed | Compliant | No | Completed | Compliant | No | Completed | Compliant | No | Completed | Compliant |
|-----|---------------------------|-----------|-----|-------------------------------|-----------|-----|----------------------------------|-----------|-----|---|-----------|-----|------------------------------------|-----------|
| | Reporting Duties | | C4 | G | G | | Maintaining Accurate Member Data | | | Providing Information to Members and Others | | I8 | G | G |
| A1 | G | G | C5 | G | G | F1 | A | A | H1 | G | G | I9 | G | G |
| A2 | G | G | C6 | G | G | F2 | G | G | H2 | G | G | | Reporting Breaches | |
| A3 | G | G | C7 | G | G | F3 | G | G | H3 | G | G | J1 | G | G |
| A4 | G | G | C8 | G | G | F4 | G | G | H4 | G | G | J2 | G | G |
| | Knowledge & Understanding | | C9 | G | G | F5 | | | H5 | G | G | J3 | G | G |
| B1 | G | G | C10 | G | G | F6 | G | G | H6 | G | G | | Scheme Advisory Board Requirements | |
| B2 | G | G | C11 | G | G | F7 | G | G | H7 | G | A | K1 | G | G |
| B3 | G | G | | Publishing Scheme Information | | F8 | G | G | H8 | G | G | K2 | G | G |
| B4 | G | G | D1 | G | G | F9 | G | G | H9 | G | G | K3 | G | G |
| B5 | G | G | D2 | G | G | F10 | G | G | H10 | G | G | K4 | G | G |
| B6 | G | G | D3 | G | G | F11 | G | G | H11 | G | G | K5 | G | G |
| B7 | G | G | D4 | G | G | | Maintaining Contributions | | H12 | G | G | K6 | G | G |
| B8 | G | G | | Risk and Internal Controls | | G1 | G | G | H13 | G | G | K7 | A | A |
| B9 | G | G | E1 | G | G | G2 | G | G | | Internal Dispute Resolution | | K8 | G | G |
| B10 | G | G | E2 | G | G | G3 | G | G | I1 | G | G | K9 | G | G |
| B11 | G | G | E3 | G | G | G4 | G | G | I2 | G | G | K10 | G | G |
| B12 | G | G | E4 | G | G | G5 | G | G | I3 | G | G | K11 | G | G |
| | Conflicts of Interest | | E5 | G | G | G6 | G | G | I4 | G | G | K12 | G | G |
| C1 | G | G | E6 | G | G | G7 | G | G | I5 | G | G | K13 | G | G |
| C2 | G | G | E7 | G | G | G8 | G | G | I6 | G | G | K14 | G | G |
| C3 | G | G | E8 | G | G | G9 | G | G | I7 | 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 | | |

| | | | | | | | |
|---------|-------------------------------------|---|---|--|------------------------------------|--|---|
| | | of ABS's went out unsealed | unauthorised individuals | company for explanation. Breach reported to information security officers at both WYPF and LPF | impacted, human error the cause. | | |
| Sept 17 | Contributions | Late payments May to August | 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 | | Issue raised at LEAF meeting |
| Sept 17 | LCC - Leavers information | Outstanding leavers information not sent to WYPF by LCC | Incorrect ABS's, over statement of liabilities | LCC given opportunity to provide improvement plan and timescales | Not reported, but under review. | | |
| Dec 17 | LCC - Leavers information – updated | Outstanding leavers information not sent to WYPF by LCC | Incorrect ABS's, over statement of liabilities | Improvement plan provided, presentation to Board to discuss in January | Not reported, but under review. | | |
| Dec 17 | Contributions - updated | Late payments Sept to November | 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 | | Issue to be raised at March employers meeting |
| Mar 18 | LCC Leavers information – updated | Outstanding leavers information not | Incorrect ABS's, over statement of | Update on improvement plan presented | Not reported, but under review. | | |

| | | | | | | | |
|--------------|-----------------------------------|---|---|--|------------------------------------|--|---|
| | | sent to WYPF by LCC | liabilities | to Board to discuss in March | | | |
| March 18 | Contributions - updated | Late payments December to February | 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 | | Issue to be raised at March employers meeting |
| April 18 | LCC Leavers information – updated | Outstanding leavers information not sent to WYPF by LCC | Incorrect ABS's, over statement of liabilities | LCC self-reported to TPR | Reported | Jan 19 - Improvement plan completed and reported back to TPR | Regular updates to be provided to TPR and Board |
| July 18 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers |
| July 18 | LCC Leavers information – updated | Outstanding leavers information not sent to WYPF by LCC | Incorrect ABS's, over statement of liabilities | LCC self-reported to TPR | TPR updated | | Regular updates to be provided to TPR and Board |
| September 18 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers |
| September 18 | LCC Leavers information – updated | Outstanding leavers information not sent to WYPF | Incorrect ABS's, over statement of liabilities | LCC self-reported to TPR | TPR updated | | Regular updates to be provided to TPR and Board |

| | | | | | | | |
|-------------|-------------------------|---------------|---|--|------------------------------------|--|--|
| | | by LCC | | | | | |
| December 18 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers |
| February 19 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers Fines increased |
| June 19 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers |
| Sept 19 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers |
| December 09 | Contributions – updates | Late payments | 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 | | Continuing training and communications with employers Review of process |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

A full-page background image of a forest. The foreground is filled with a dense carpet of small, purple bell-shaped flowers (bluebells) growing among green grass. Tall, slender tree trunks rise vertically from the forest floor, their leaves forming a thick green canopy overhead. Sunlight filters through the leaves, creating dappled light on the ground.

Good governance in the LGPS

Phase II report from Working Groups to SAB

November 2019

Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

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Terminology

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

Committee. A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

Workstream 1: Standards and outcomes

Proposals and background

A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.



B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.



D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.





E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

E.2 Each administering authority must publish an administration strategy.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

Workstream 2: Compliance and improvement

F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
 - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
 - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
 - c. It is critical that the IGR should be conducted by appropriate persons who:
 - properly understand the LGPS;
 - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
 - are in some way “accredited” to ensure consistent standards of review.
 - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
 - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
 - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
 - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
 - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
 - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
 - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
 - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
 - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
 - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
 - n. Failure to submit an IGR report by the required date will result in automatic referral.
 - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
 - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

F.2 LGA to consider establishing a peer review process for LGPS Funds.

Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG


Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



A full-page photograph of a forest. The foreground is filled with a dense carpet of small, purple flowers, likely bluebells, growing in green grass. The background consists of many tall, slender tree trunks reaching up to a canopy of bright green leaves. Sunlight filters through the trees, creating a dappled light effect on the forest floor.

Appendix A

Summary of recommendations

| Area | Proposal |
|--|--|
| A. General | A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”). |
| | A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”). |
| | A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer. |
| B. Conflicts of interest | B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance. |
| | B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB. |
| C. Representation | C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party. |
| D. Knowledge and understanding | D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively. |
| | D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding. |
| | D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements. |
| | D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus. |
| E. Service delivery for the LGPS function | E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes. |
| | E.2 Each administering authority must publish an administration strategy. |
| | E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service. |
| | E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year. |
| | E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function. |
| F. Compliance and improvement | F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts. |
| | F.2 LGA to consider establishing a peer review process for LGPS Funds. |



Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|---------------------------------------|
| Report to: | Lincolnshire Pension Board |
| Date: | 09 January 2020 |
| Subject: | Pensions Administration Report |

Summary:

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund.

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

Recommendation(s):

That the Board note the report.

Background

1.0 Performance and Benchmarking

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

1.2 The table below shows the performance against key areas of work for the period 1 July 2019 to 30 September 2019.

| KPI's for the period 1.7.19 to 30.9.19 | | | | | | |
|--|-------------|---------------------------|------------------|-----------------------|--------------------|--------------------|
| WORKTYPE | TOTAL CASES | TARGET DAYS FOR EACH CASE | TARGET MET CASES | MINIUM TARGET PERCENT | TARGET MET PERCENT | AVERAGE TIME TAKEN |
| AVC In-house (General) | 92 | 10 | 91 | 85 | 98.91 | 1.18 |
| Age 55 Increase to Pension | 1 | 20 | 1 | 85 | 100 | 20 |
| Change of Address | 334 | 5 | 327 | 85 | 97.9 | 1.58 |

| WORKTYPE | TOTAL CASES | TARGET DAYS FOR EACH CASE | TARGET MET CASES | MINIMUM TARGET PERCENT | TARGET MET PERCENT | AVERAGE TIME TAKEN |
|---|----------------|------------------------------------|------------------------|------------------------------|--------------------------|--------------------------|
| Change of Bank Details | 54 | 5 | 50 | 85 | 92.59 | 1.59 |
| DWP request for Information | 8 | 10 | 7 | 85 | 87.5 | 4.13 |
| Death Grant Nomination Form Received | 1,603 | 20 | 1,563 | 85 | 97.5 | 4.36 |
| Death Grant to Set Up | 20 | 5 | 20 | 85 | 100 | 1.5 |
| Death In Retirement | 141 | 5 | 132 | 85 | 93.62 | 2.26 |
| Death In Service | 3 | 5 | 3 | 85 | 100 | 1 |
| Death on Deferred | 8 | 5 | 8 | 85 | 100 | 1.63 |
| Deferred Benefits Into Payment Actual | 706 | 5 | 700 | 90 | 99.15 | 2.6 |
| Deferred Benefits Into Payment Quote | 822 | 35 | 789 | 85 | 95.99 | 6.84 |
| Deferred Benefits Set Up on Leaving | 1,101 | 10 | 1,005 | 85 | 91.28 | 10.13 |
| Divorce Quote | 44 | 20 | 43 | 85 | 97.73 | 3.95 |
| Enquiry | 8 | 5 | 8 | 85 | 100 | 1.38 |
| Estimates for Deferred Benefits into Payment | 4 | 10 | 4 | 90 | 100 | 1.5 |
| General Payroll Changes | 77 | 5 | 73 | 85 | 94.81 | 5.71 |
| Initial Letter Death in Service | 3 | 5 | 3 | 85 | 100 | 1.67 |
| Initial letter Death in Retirement | 141 | 5 | 140 | 85 | 99.29 | 1.68 |
| Initial letter Death on Deferred | 8 | 5 | 8 | 85 | 100 | 3 |
| Monthly Posting | 877 | 10 | 858 | 95 | 97.83 | 1.83 |
| NI adjustment to Pension at State Pension Age | 8 | 20 | 8 | 85 | 100 | 15.88 |
| Payment of Spouses _Child Benefits | 55 | 10 | 55 | 100 | 100 | 1.51 |
| Pension Estimate | 132 | 10 | 107 | 75 | 81.06 | 7.36 |
| Pension Saving Statement | 2 | 20 | 2 | 100 | 100 | 1 |
| Refund Payment | 241 | 10 | 239 | 95 | 99.17 | 1.76 |
| Refund Quote | 299 | 35 | 294 | 85 | 98.33 | 2.88 |
| Retirement Actual | 190 | 3 | 173 | 90 | 91.05 | 1.22 |
| Set Up New Spouse Pension | 55 | 5 | 55 | 85 | 100 | 1.16 |

| | | | | | | |
|-----------------------|-------------|---------------------------|------------------|------------------------|--------------------|--------------------|
| Spouse Potential | 14 | 20 | 14 | 85 | 100 | 6.36 |
| WORKTYPE | TOTAL CASES | TARGET DAYS FOR EACH CASE | TARGET MET CASES | MINIMUM TARGET PERCENT | TARGET MET PERCENT | AVERAGE TIME TAKEN |
| Transfer In Actual | 49 | 35 | 49 | 85 | 100 | 6.57 |
| Transfer In Quote | 63 | 35 | 63 | 85 | 100 | 1.68 |
| Transfer Out Payment | 19 | 35 | 19 | 85 | 100 | 7.58 |
| Transfer Out Quote | 141 | 20 | 137 | 85 | 97.16 | 6.04 |
| Update Member Details | 2,154 | 20 | 2,145 | 100 | 99.58 | 1.36 |

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

| Numbers | Active | Deferred | Undecided | Pensioner | Frozen |
|--------------------------|--------|----------|-----------|-----------|--------|
| LGPS | 22,641 | 27,703 | 828 | 23,172 | 2,662 |
| Percentage of Membership | 29.40 | 35.98 | 1.07 | 30.09 | 3.46 |
| Change from Last Quarter | -65 | -444 | -179 | +666 | +28 |

2.2 Age Profile of the Scheme

| | Age Groups | | | | | | | | | | | | |
|--------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|--------|
| Status | U20 | 20-25 | 26-30 | 31-35 | 36-40 | 41-45 | 46-50 | 51-55 | 56-60 | 61-65 | 66-70 | 70+ | TOTAL |
| Active | 314 | 1,470 | 1,510 | 1,943 | 2,468 | 2,702 | 3,724 | 3,722 | 2,908 | 1,568 | 241 | 71 | 22,641 |

2.3 Employer Activity - During July 2019 to September 2019

| | |
|------------------------------------|------------|
| New Academies and Education Trusts | 6 |
| New Town and Parish Council | 0 |
| New Admission Bodies | 1 |
| Total of New Employer | 7 |
| Employers Exited | 1 |
| Total Numbers of employers | 293 |

3.0 Member and Employer Contact

3.1 Over the quarter July to September we received **1** online customer response.

Over the quarter July to September we received **2** online customer responses.

Over the same quarter **190** Lincolnshire member's sample survey letters were sent out and **25 (13.2%)** returned.

Overall Customer Satisfaction Score;

| July to September 2018 | October to December 2018 | January to March 2019 | April to June 2019 | July to September 2019 |
|-------------------------------|---------------------------------|------------------------------|---------------------------|-------------------------------|
| 81.6% | 81% | 81.3% | 83.5% | 87.9% |

Appendix 1 – Customer survey results.

3.2 Employer Training

Over the quarter July to September two Employer sessions were held in Lincolnshire, Ill Health and Employer Responsibilities. Customer satisfaction scores were 96.09% and 98.43% respectively.

Appendix 2 – Employer feedback summary.

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 WYPF.

Stage 1 appeals against the fund

No appeals currently outstanding.

Stage 1 appeals against scheme employers

One appeal decision in this period. One appeal currently outstanding.

| Date of appeal | Reason for appeal | Current position /Outcome | Date decision letter sent |
|-----------------------|---|--|----------------------------------|
| 13/2/2019 | Appeal against being refused an ill health pension. | Referred to GLL as scheme employer. No copy of decision letter received – being chased up. | |
| 28/6/2019 | Appeal against being refused an ill health pension. | Referred to LCC as scheme employer. Turned down. | 27/8/2019 |
| 31/7/2019 | Appeal against service details. | Referred to LCC as scheme employer. | |
| 3/7/2019 | Appeal against overpayment of pension. | Referred back to WYPF to contact employer to clarify how | 1/8/2019 |

| | | | |
|--|--|--|--|
| | | they intend to proceed with the overpayment. | |
|--|--|--|--|

Stage 2 appeals

| Date application received | Reason for appeal | Current position/Outcome | Date decision letter sent |
|----------------------------------|---|---------------------------------|----------------------------------|
| 4/5/2019 | Reason for employment terminating / access to unreduced benefits. | Turned down. | 2/8/2019 |
| 23/9/2019 | Maladministration - Incorrect ABS | Being worked on. | |

Ombudsman

4.2 One case outstanding

| Date application received | Details of complaint | Current position/outcome | Date complete |
|----------------------------------|--|---|----------------------|
| 29/1/2019 | Appeal against employer decision of employer not to waive the 'rule of 85' to allow unreduced benefits to be paid. | Turned down. Ombudsman is satisfied that LCC decisions made were in accordance with regulations and discretionary policy. | 13/8/2019 |
| 5/7/2019 | Appeal against service used in pension calculation. | Being dealt with by LCC Legal. Information provided to them. Further information provided to LCC Legal in September. | |

5.0 Administration Update

5.1 Trivial Commutation

Work has started on giving members the option to commute their trivial pension for a one off lump sum payment. Members who have a pension of under £500 per annum have been targeted in the first instance. Two hundred and thirty six members fall into this category.

6.0 Current Technical Issues

See Appendix 3

7.0 Shared service Budget

7.1 Shared Service spend

Projected spend of £6.73m against budget of £7.71m, underspend of £0.97m. Main change from period 4 to 6 is mainly due to allocation of some actuary costs to pension admin to separate out employer and member technical work from strategic and valuation work. There is a contingency provision of £0.87m to fund cost of restructure.

- 7.2 Actuary cost relating to work on members' processes across our shared service offering including review of ABS, data and cost of restructure. Cost relating to valuation and employer related work is not included in Pension administration.

| WYPF PENSION ADMIN | 2019/20 Estimate | 2019/20 Forecast PD04 | 2019/20 Forecast PD06 | 2019/20 Variance (Est vs Frcst) |
|--|---------------------|-----------------------------|-----------------------------|--|
| | £ | £ | | £ |
| <u>Expenditure</u> | | | | |
| Accommodation | 227,960 | 314,460 | 314,460 | -86,500 |
| Actuarial Costs | 0 | 0 | 164,810 | -164,810 |
| Computer Costs | 548,070 | 531,430 | 453,490 | 94,580 |
| Employee Costs | 5,277,900 | 5,642,060 | 5,643,820 | -365,920 |
| Internal Recharges from Bradford Council | 203,150 | 241,750 | 211,200 | -8,050 |
| Printing and Postage | 502,810 | 648,700 | 658,580 | -155,770 |
| Other Running Costs | 82,710 | 130,090 | 162,680 | -79,970 |
| Transaction costs | 0 | 0 | 0 | 0 |
| DEPARTMENTAL SUPPORT COST | 0 | -884,290 | -873,660 | 873,660 |
| CONTINGENCY | 865,740 | 0 | 0 | 865,740 |
| | 7,708,340 | 6,624,200 | 6,735,380 | 972,960 |
| <u>Income</u> | | | | |
| WYPF | -5,645,810 | -6,454,003 | -6,565,183 | 919,373 |
| Shared Service Income | -2,012,530 | -10,197 | -10,197 | -2,002,333 |
| Other income | -50,000 | -160,000 | -160,000 | 110,000 |
| WYPF PENSION ADMIN | -7,708,340 | -6,624,200 | -6,735,380 | -972,960 |

- 7.2 Lincolnshire projected shared service charges

| Pension Admin Breakdown Per member | members 2019/20 | Forecast Pd 08 2018/19 | Final 2018/19 | Draft Budget 2019/20 | PD04 2019/20 | PD06 2019/20 |
|------------------------------------|-----------------|------------------------|---------------|----------------------|--------------|--------------|
| Cost per member | | £14.58 | £15.01 | £16.25 | £15.84 | £16.11 |
| Lincolnshire | 77,386 | £1,128,508 | 77,042 | £1,252,310 | £1,220,495 | 1,240,980 |

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 | Employer Feedback summary |
| Appendix 3 | Current Issues |

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 Pensions Manager.

Background Papers

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

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

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Customer Survey Results - Lincolnshire Members (1st July to 30th September 2019)

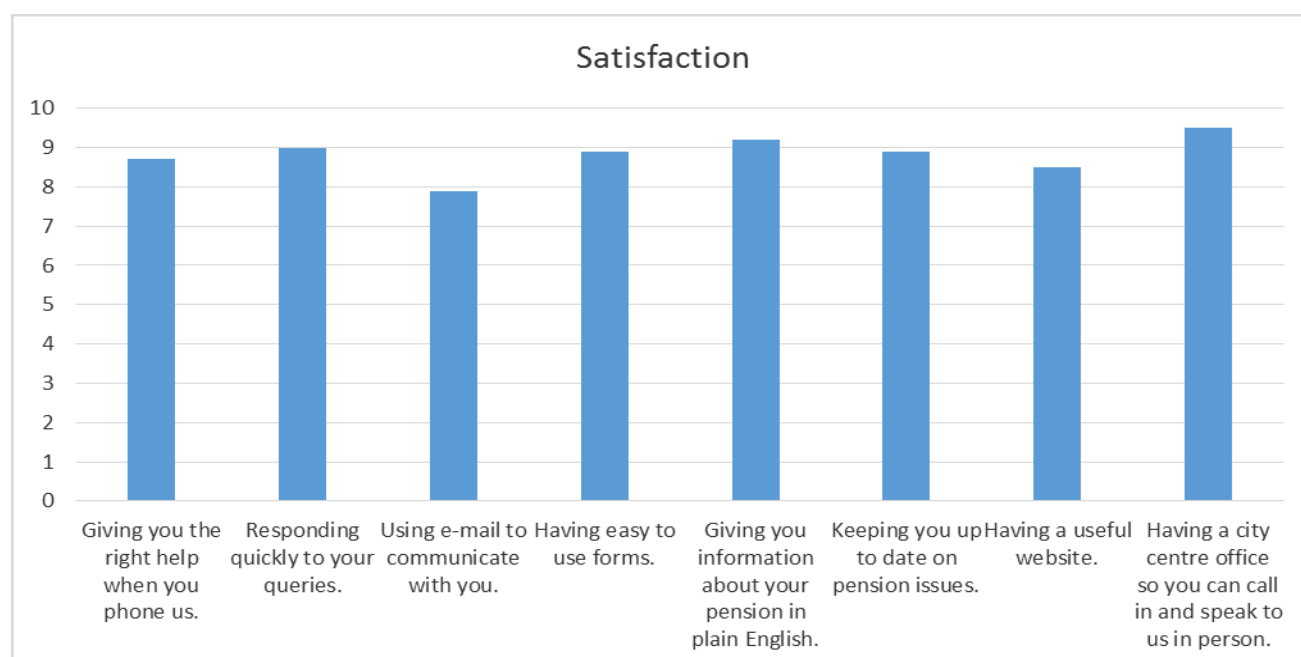
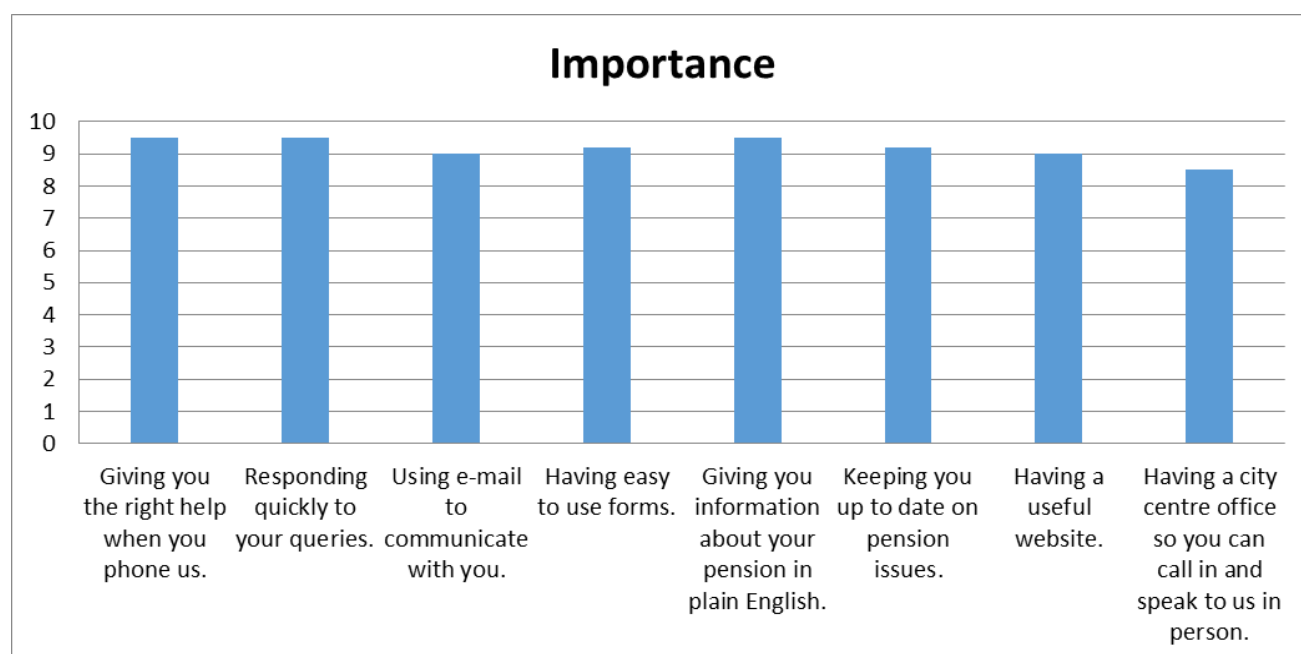
Over the quarter July to September we received **2** online customer responses.

Over the quarter July to September **190** Lincolnshire member's sample survey letters were sent out and **25 (13.2%)** returned:

Overall Customer Satisfaction Score;

| July to September 2018 | October to December 2018 | January to March 2019 | April to June 2019 | July to September 2019 |
|------------------------|--------------------------|-----------------------|--------------------|------------------------|
| 81.6% | 81% | 81.3% | 83.5% | 87.9% |

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



Sample of positive comments:

| Member Number | Comments |
|----------------------|--|
| 8059637 | Excellent, the pension claim was smooth. My first email enquiry about my pension was dealt promptly and as far as my employer had confirmed my retirement, receipt of lump sum was very quick. Thank you |
| 811510 | Having had electronic paper and written communications with WYPF recently, everything I have been asked for has been provided as early and promptly possible. Excellent verbal communication from staff who I have been spoken to on the telephone. |
| 8097404 | Very speedy hassle free service. I only contacted you twice after you contacted me. I wish all services were this easy. Outstanding. |
| 8121114 | Competent and professional with clear communications in writing and over the telephone with most pension jargon explained. Took bit longer what I anticipated. Cheryl Jepson was particularly helpful. |
| Online | Efficient, clear to understand figures and provided within 3 weeks which is acceptable. I have no bad comments to make about how I was treated, I were given a timescale which was adhered to, so I can only praise how I were dealt with. |

Complaints/Suggestions:

| Member Number | Comments | Corrective/ Preventive Actions |
|----------------------|--|--|
| 8018848 | <p>It has not been the best experience I am afraid.</p> <p>It has a big decision to retire early. Trying to get a figure for my pension forecast was slow, laborious and long waited. Very unhelpful when I tried to phone except for one nice lady. It seemed that even though it was my money we were telling about WYPF were reluctant to give me a figure. Sorry but there is a huge scope for improvement. One lady I spoke to was so grumpy that it push me off ringing again. Perhaps that is the reason why she answers the phone to put people off.</p> | <p>Response sent by Dipika;</p> <p>Thank you for taking time to complete and return our customer survey.</p> <p>I am sorry that you are not completely happy with the service that West Yorkshire Pension Fund (WYPF) has provided.</p> <p>I have reviewed your pension record and note you were asked to request an estimate via your employer.</p> <p>Before members make a decision to retire we ask members to contact their employer to request an estimate of benefits on the member's behalf. The employer is able to provide us with the accurate pay figures we need to calculate member's pension benefits.</p> <p>Unfortunately, there was some delay in updating your account with the monthly postings before the 2019 ABS could be issued. As soon as this was identified, it was put right and your 2019 ABS issued.</p> <p>I note your comments about how you felt regarding the level of service you received when you telephoned our offices. I would like to apologise for this as WYPF aim to provide our members with a good service.</p> <p>Your comments have been noted and will be reviewed by our senior management team during the next review of customer service.</p> <p>Please contact me if I can be of any further assistance.</p> |

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**Employer Feedback
Quarter 3 July – September 2019**

Ill Health – July 2019

Feedback score:

LPF 96.09%

| Comment | Action taken |
|--|------------------------|
| Possibly some 'live' cases where we need to discuss possible options and outcomes. Maybe the ombudsman ones could be done without knowing the outcome? | Passed to course owner |
| Possible reference to actual LGPS regulations | Passed to course owner |

A summary of the compliments

- Course structure and pace was good
- Very interesting course. Covered all the questions I had regarding ill health. Course material and packs excellent as always
- The workshops are always run smoothly and kept to timescales

Employer Responsibilities – September 2019

Feedback score:

LPF 98.53%

| Comment | Action taken |
|----------------|---------------------|
| None recorded | |

A summary of the compliments

- Was very interesting and learnt a lot for things we need to do as an employer
- An excellent workshop, very thorough and clear - lots to take back to work!
- Good content and hand-outs, left with more knowledge

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Current Issues

1) Actuarial guidance review update

MHCLG have issued a revised version of the actuarial factor spreadsheet – the updated version now includes factors for:

- annual allowance scheme pays
- inverse commutation
- conversion of AVCs to transfer credits
- conversion of accumulated AVCs for added pension (pre 2014)
- conversion of accumulated AVCs for added pension (post 2014).

The factors took effect from **21 June 2019**.

2) Annual allowance scheme pays

There has been a change in methodology and new actuarial guidance has been issued to reflect this change. There has also been a change from earlier versions of the guidance in that only a single factor table is included in the current version i.e. scheme pays factors for calculating the pension offset for a member who is not retiring immediately and who is under their Normal Pension Age (NPA).

3) Ill health certificates updated

A revised version of the ill health certificates have been published. The certificates are updated to include:

- the updates made by the LGPS (Amendment) Regulations 2018 [SI 2018/493],
- changes to the State Pension age, and
- a number of other minor corrections.

4) SCAPE discount rate – impact on actuarial guidance – update

MHCLG has recently issued revised late retirement guidance. The new guidance and factors are effective from 1 September 2019. The new methodology removes the 'cliff edge' effect which reduced the value of LGPS benefits held by members who were over their Normal Pension Age (NPA) when the factors last changed in January 2017.

We expect a revised version of the guidance to be published in the coming weeks.

5) Survivor guide published

LGPC have recently published a technical guide covering survivor benefits in the LGPS. The guide sets out the LGPC Secretariat's understanding of the membership that is used to calculate survivor benefits. The guide reflects the changes in survivor

benefits for civil partners and the spouses of same-sex marriages, brought about by the LGPS (Miscellaneous Amendment) Regulations 2018.

MHCLG plans to introduce statutory guidance for administering authorities, in respect of past trivial commutation and transfer payments that are affected by the change in survivor benefits for civil partners and same sex spouses.

6) Good governance project - update

As you are aware, the Scheme Advisory Board (SAB) had published their Good Governance Report on 31 July 2019. Hymans Robertson project team will assist SAB in taking forward the next stage of the project. Two working groups will be established to:

- define what is meant by good governance outcomes and provide the accompanying guidance, and
- focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

Both groups will comprise of a variety of stakeholders to ensure a wide range of views and options are considered. The aim is for an options report to be ready for consideration by SAB in November 2019. Any proposals agreed by SAB will be subject to a full stakeholder consultation before being put to MHCLG. Details of both working groups will be published on the SAB website in due course.

7) Consultation: Exit payments cap – update

As you are aware, HM Treasury (HMT) had launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations'. The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020.

8) Consultation on changes to TPO – Government response published

On 19 December 2018 the government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its response to the consultation. On the whole, responders were supportive of the government's proposals. Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals.

Any amendments to signposting requirements will need to be set out in secondary legislation. If needed, draft regulations will follow on from the necessary primary legislation.

9) Tailored review of TPO – outcome published

In November 2018 DWP led a tailored review (last review 2014) of The Pensions Ombudsman (TPO) to ensure that the body remains fit for purpose, well governed and properly accountable for what it does. The government published the outcome of this review on 27 August 2019. Findings indicated that:

- TPO is a well-respected and effective organisation.
- there was strong support from all consulted stakeholders for the quality, clarity and impartiality of its determinations on pension disputes.
- there was improvement to case clearance times, whilst embracing an ambitious internal change agenda.

Areas identified for improvement include:

- developing the governance and performance framework for the organisation to reflect the increasing size, complexity and maturity of its work.
- ensuring that both DWP and TPO take a more robust approach to scoping and tracking efficiencies. This is expected to yield from the investment TPO has received in its digital infrastructure and the potential to more radically streamline case handling.
- building on the outward facing engagement to position TPO more strategically, working with other relevant organisations to enhance the impact on raising standards more broadly in pensions administration.

The next tailored review will take place in around five years' time and should consider the progress made against the recommendations of this review.

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Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|------------------------------------|
| Report to: | Lincolnshire Pensions Board |
| Date: | 09 January 2020 |
| Subject: | Data Scores |

Summary:

This report updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator as required under this year's TPR returns.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

Recommendation(s):

That the Board note the report and the Data Improvement Plan.

1.0 Background

1.1 Pension schemes are required by the TPR to report their common and scheme specific data scores in the annual scheme returns.

1.2 The current Data Scores for LPF are:

| | |
|-----------------|--------|
| Common | 95.69% |
| Scheme Specific | 73.05% |

1.3 This is reduction on the scores measured in September which were:

| | |
|-----------------|--------|
| Common | 96.12% |
| Scheme Specific | 85.69% |

1.4 The reduction in the common data scores is primarily due to an increase in missing addresses as a result of sending out deferred benefit statements.

1.5 The reduction in the scheme specific data scores is due to additional checks undertaken as a result of revised guidance received from the Pensions Regulator and the Scheme Advisory Board.

2.0 Data Issues

2.1 Missing Addresses

There are 3,131 address's missing for deferred members. This is an increase of 406.

WYPF have a programme of tracing lost contact members on a rolling programme.

2.2 Missing Earnings

There are 1,134 records with missing earnings. This is an increase of 363. The majority of cases are awaiting leaver/pensioner benefits to be calculated.

2.3 Missing CARE Benefits

There are 514 records with missing Career Average Revalued Earnings (CARE). This is a reduction of 606. These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

2.4 Missing CARE Rates

There are 7 cases where the revaluation rate is missing from the member's record. This is a reduction of 816. These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

2.5 Beneficiary Link to Pensioner Missing

There are 1,172 records where the beneficiary does not have their record linked to the original pensioner/member. This is a reduction of 39. WYPF will investigate these cases to see if a link can be found.

2.6 Beneficiary Type Missing

There are 1,172 records where the beneficiary does not have their record linked to the original pensioner/member. This is a reduction of 39. WYPF will investigate these cases to see if a link can be found.

2.7 No National Insurance Contributions or GMP

There are 12,783 records with missing National Insurance contributions or GMP. It appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine this criteria for the next data improvement score.

2.8 Missing Crystallisation Details

There are 486 records with missing benefit crystallisation details. This is legacy data that was not supplied by the previous administrator. WYPF will obtain this information from the files to complete the records.

2.9 Missing Annual Allowance Calculation

There are 2915 records with missing annual allowance calculation. This is legacy data that was not supplied by the previous administrator. WYPF will review this requirement as only 3 years records are required for carry forward of unused allowance.

2.10 No Total Exit GMP (Deferred)

There are 4918 records with missing National Insurance contributions or GMP. It appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine this criteria for the next data improvement score.

2.11 No Post 88 GMP on record

There are 4076 records with missing National Insurance contributions or GMP. Similar to above, it appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine this criteria for the next data improvement score.

3.0 Data Improvement Plan

- 3.1 As a result of the data scores WYPF has devised a Data Improvement Plan (Appendix 1) which identifies the issues with the data and the resolutions required to resolve those issues.
- 3.2 The reports to measure the data scores will be run at least on a quarterly basis to measure the improvements in data scores and identify any new issues.
- 3.3 It should be noted that TPR do not expect scores to be 100%, as long as there is a Data Improvement Plan to address the data issues. For example, as we trace members, others are identified as lost contact through returned mail. WYPF also takes every opportunity to remind members to tell us when they move house.
- 3.4 It should be noted that in July a revised draft conditional data report was issued to Funds by the Scheme Advisory Board and TPR. This effectively, will standardise the checks required of all Funds for conditional data and therefore will impact on future data scores.

4.0 Conclusion

- 4.1 Data quality is important to the Fund as, as well as being a requirement of the Pensions Regulator. It may affect the employer contributions at the next valuation and can impact on the reputation of the Fund.
- 4.2 The Fund continually reviews the quality of data held throughout the year and strives to keep this as complete, accurate and up to date as possible. The Pensions Regulator requires Funds to undertake a review of data quality at least annually and this report consolidates the work undertaken in compliance with this requirement.
- 4.3 This report concludes that, whilst data quality is considered to be good within the Fund, there are improvements that can be made and as a result a data improvement plan has been developed.

Appendices

| | |
|---|-----------------------|
| These are listed below and attached at the back of the report | |
| Appendix 1 | Data Improvement Plan |

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 Pensions Manager.

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.

Lincolnshire Pension Fund

Data Improvement Plan

1. Introduction

- 1.1 This document defines the data improvement plan for Lincolnshire Pension Fund which is administered by West Yorkshire Pension Fund (WYPF) under a shared service arrangement.
- 1.2 WYPF collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS).
- 1.3 Fundamentally, the purpose of the Fund is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the highest possible data quality standards are maintained, to comply with this core function and to ensure the cost effective use of resources.
- 1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of the Pension Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times.
- 1.5 The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- 1.6 The Pension Regulators guidance requires that schemes should:
 - Continually review their data and carry out a data review exercise at least annually
 - Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

2. The Pension Regulator Annual Scheme Return

- 2.1 Annually the Pensions Regulator (tPR) issues a scheme return which should be completed and returned. From 2018 each Pension Fund is required to include in the return a Data Quality Score which has two types of data:
 - **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.
 - **Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers etc.

2.2 tPR has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

3. Key Objectives

The key objectives of this plan are to:

- Ensure member, pensioner, deferred and beneficiary records are maintained as accurately as possible to ensure benefits are paid correctly on time, members receive a high standard of service and the fund is able to meet legal obligations.
- Ensure Investment and Administration costs are reliable/correct.
- Ensure data supplied to the Fund's actuary for the valuation is as accurate as possible so the correct liabilities can be calculated.
- Ensure the Fund complies with tPR's Code of Practice.

4. Outcomes

Outcomes of an improvement in the data held by the Fund are:

- Improvement of tPR data score for Common and Scheme Specific (also known as conditional) data.
- Increase in the number of Annual Benefit Statements (ABS) issued by 31 August each year/members aware of the value of their benefits.
- Reduction in the number of Internal Dispute Resolutions (IDRPs) received for incorrect calculation of benefits or delays in paying benefits.
- Reduction in the number of queries from the Fund's Actuary at valuation time.
- Reduction in the number of queries received when ABS are sent out.
- Reduction in administration costs due to increased efficiency.
- Reduces the likelihood of the Government Actuary Department rejecting data for the scheme valuation.
- Improves accuracy for IAS19 valuations.
- Reduction in delays for calculating and paying retirement benefits, death benefits, transfers out.
- Reduction in the queries between WYPF and Employers
- Reduction of breaches recorded on the Breaches Register (e.g. due to ABS being issued late).

5. Additional general responsibilities relating to Data Improvement as follows:

5.1 Fund Officers

- Fund officers continually review and ensure data collected is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes have working instructions in place to assist with staff training, understanding and compliance.
- Team Managers are responsible for ensuring that staff have the appropriate level of UPM access to fulfil their duties and access is withdrawn upon the member of staff leaving WYPF. This minimises the risk of accidental loss, errors and unauthorised activity.

5.2 Scheme Employers

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by scheme employers and any third party agencies that they may utilise e.g. outsourced payroll providers.
- The Fund will work with scheme employers throughout the year to support the provision of data to the required standard.
- Details of the information employers are required to provide and the financial penalties should they fail to do so are detailed in the Fund's Pensions Administration Strategy.

6 On-going Data Cleansing

6.1 Monthly Returns data quality checks

WYPF embraced monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

6.2 LGPS National Insurance Database

Administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for Local Government Pension Scheme (LGPS) administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds. (Please note not all LGPS administrators are part of this database).

6.3 'Tell Us Once' Service

The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

6.4 National Fraud Initiative

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. WYPF submit data to National Fraud Initiative on a regular basis to identify deceased members and members who are no longer entitled to receive a pension.

6.5 Mortality screening and tracing service

WYPF engage with a Tracing Bureau for both monthly mortality screening and for members we don't have a current address for. For deferred members, where a current address for a lost contact cannot be found by the Tracing Bureau, a more detailed check is carried out 3 months before payment of pension is due.

6.6 Annual Benefits Statement (ABS) checks

Before producing an ABS each year certain checks are applied to active records to ensure accurate data is used in the production of the ABS. These checks include:

- Ensuring contributions are received for every month during the year,
- Checks to make sure there are no spikes in care pensionable pay,
- Checks to ensure the final pay has not increased by 20% or decreased by 10%,
- Checks to ensure there aren't any outstanding processes,
- Address check to compare the address held on the record and that supplied on the monthly return,
- Identifying casual workers.

If these checks identify further information is required from an employer the ABS production for this case will be blocked and a query will be referred back to the employer. Upon receipt of the appropriate information the record will be updated and the ABS will be released for production.

6.7 Deferred pensions increase

As part of the annual deferred pensions increase process certain data errors are identified and pensions increase is blocked until they are resolved. These errors include:

- Incorrect elements present,
- Spouse elements that don't match member elements,
- Incorrect dates for the first entry after the member is deferred,
- Data errors are corrected to allow deferred pensions increase to run on to individual deferred folders.

6.8 Annual deferred benefit statements

Before producing the annual deferred benefit statements data errors that would result in potentially incorrect statements being produced are identified. These include:

- Deferred pensions increase not updated
- Multiple 'normal payment' dates being held on the deferred folder
- Multiple entries for the same date shown on the pension history screen
- Initial entries on the pension history missing
- Service start date mismatches

Once these errors are resolved and the records is updated the deferred ABS will be released for production.

7 Data errors

When tackling data errors the following considerations will be used when making the decision on the priority of errors to be resolved:

- Priority identified on the error report
- Data improvement plans objectives

8. Frequency

Data Quality reports will be run on a quarterly basis to measure the data quality scores and identify any further action that may be required.

9 Appendices

- Appendix A details the Data Quality scores and errors
- Appendix B details to work planned to deal with the data errors identified.

Appendix A – Lincolnshire Pension Fund

| | Nov 18 | Feb 19 | June 19 | Sept 19 | Dec 19 |
|-------------------------|--------|--------|---------|---------|--------|
| TPR Score – Common | 95.58 | 96.01 | 96.00 | 96.12 | 95.69 |
| TPR Score – Conditional | 94.47 | 95.78 | 81.53 | 85.69 | 73.05 |

Breakdown of activities for improvement

| | Nov 18 | Feb 19 | June 19 | Sept 19 | Dec 19 |
|--|--------|--------|---------|---------|--------|
| Count of Missing, Bad or Temp NI Number | 81 | 78 | 84 | 84 | 81 |
| Count of Bad Date of Birth | 2 | 2 | 1 | 1 | 1 |
| Count of Address Missing | 3,131 | 2,839 | 2,818 | 2,725 | 3,131 |
| Count of Postcode Missing | 27 | 27 | 27 | 27 | 27 |
| Count of No Date Joined Scheme | 62 | 63 | 8 | 13 | 13 |
| Count of No Folder Status History | 9 | 10 | 9 | 9 | 10 |
| Count of Folder Status/ Status History Mismatch | 89 | 65 | 69 | 57 | 57 |
| Count of Multi Folder Status History Entries on Same Day | 60 | 53 | 60 | 72 | 55 |
| Count of Missing or Bad Expected Retirement Date | 3 | 3 | 7 | 5 | 5 |
| Count of No Folder Scheme History | 55 | 57 | 56 | 64 | 67 |
| Count of No NI Contributions or GMP | | | | | 12,783 |
| Count of Missing Ben Crystallisation Record | | | | | 39 |
| Count of Missing Benefit Crystallisation Details | | | | | 486 |
| Count of Missing Date Joined Employer | 3 | 3 | 2 | 1 | 2 |
| Count of Missing Earnings | 4,063 | 2,105 | 1,099 | 771 | 1,134 |
| Count of Invalid Transfer In Present | | | 6 | 7 | 160 |
| Count of Invalid AVC Data for Member | | | | | 65 |
| Count of Invalid Part Time Service Present | 66 | 67 | 66 | 64 | 64 |
| Count of Missing CARE Benefit | 5,099 | 3,090 | 1,583 | 1,120 | 514 |
| Count of Missing CARE Revaluation Rate | 4,038 | 2,229 | 1,150 | 823 | 7 |
| Count of Invalid PSO or Sharing Order | 48 | 48 | 48 | 48 | |
| Count of Invalid Contracted Out Date | 19 | 19 | 19 | 20 | 20 |
| Count of Missing Initial Pension (Def) | 33 | 43 | 48 | 60 | 62 |
| Count of Missing Initial Care Pension (Def) | 96 | 139 | 169 | 217 | 296 |
| Count of Missing CARE Initial Pension | 16 | 21 | 20 | 23 | 27 |
| Count of Missing Annual Allowance Calculation | | | | | 2915 |
| Count of Beneficiary Link to Pensioner Missing | 1,274 | 1,247 | 1,230 | 1,211 | 1,172 |
| Count of Beneficiary Type Missing | 1,274 | 1,247 | 1,230 | 1,212 | 1,172 |
| Count of start date inconsistency | | 6,528 | 5,519 | 5,370 | 5,272 |
| Count of Deferred - No Total Exit GMP | | | | | 4,918 |
| Count of No Post88 Exit GMP | | | | | 4,076 |

Appendix B – Lincolnshire Pension Fund

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|----------------------|----------|---|----------|--|----------------|----------|-----------------|
| NI Number | Common | 81 cases: | Low | | | | |
| | | 6 actives (0.3%) | | Obtain correct NI number from employer | Comms | | Nov 19 |
| | | 8 beneficiary pensioners (0.3%) | | Report to be expanded to identify if beneficiary lives overseas who may not have a national Insurance number | IT | | Nov 19 |
| | | 10 deferred (0.04%) | | Write to member to obtain NI number | Comms | | Nov 21 |
| | | 3 leaver options decision (0.01%) | | Once leaver forms received write to member to obtain NI | Service Centre | | Nov 21 |
| | | 1 pensioner | | Interrogate record | SC5 | | Nov 21 |
| | | 53 preserved refunds (1.99%) | | Interrogate record | Service Centre | | Nov 21 |
| Date of Birth | Common | 2 cases | Medium | | | | |
| | | 1 Active | | Obtain DOB from employer | Comms | | Nov 20 |
| | | 1 beneficiary pensioner | | Interrogate record | SC5 | | Nov 20 |
| Address and postcode | Common | 3131 cases | Medium | | | | |
| | | 169 actives (address missing) (0.75%) | | Contact employer for address | Comms | | Nov 20 |
| | | 4 beneficiary Pensioner (address missing) (0.02%) | | Interrogate record or use tracing service | SC5 | | Nov 20 |
| | | 2051 deferred (address missing) (7.04%) | | Accurate Data services engaged to carry out address tracing for deferred and preserved refunds members. | Service Centre | | Rolling program |

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|-----------------------|----------|---|----------|---|----------------|----------|-----------------|
| Address and postcode | Common | 3 deferred ex spouse (address missing) (0.01%) | | Accurate Data services engaged to carry out address tracing for deferred and preserved refunds members. | Service Centre | | Rolling Program |
| | | 35 leaver option decision (address missing) (4.23%) | | Accurate Data services engaged to carry out address tracing for deferred and preserved refunds members. | Service Centre | | Rolling program |
| | | 33 pensioner (address missing) (0.15%) | | Interrogate record | SC5 | | Nov 20 |
| | | 836 preserved refunds (address missing) (31.40%) | | Accurate Data Service engaged to carry out address tracing for deferred and preserved refunds members. | Service Centre | | Rolling Program |
| | | 27 preserved refunds (post code missing) (1.01%) | | IT to look up missing postcodes from address database | IT | | Nov 20 |
| No date joined scheme | Common | 62 cases:- | Medium | | IT | | |
| | | 2 actives | | interrogate records and/or obtain information from employer | Service Centre | | Nov 20 |
| | | 9 deferred ex spouse | | Interrogate record | Service Centre | | Nov 20 |
| | | 1 full commutation | | Interrogate record | Sc5 | | Nov 20 |
| | | 24 pensioners (0.10%) | | Interrogate record | SC5 | | Nov 20 |
| | | 4 pensioner ex spouse | | Interrogate record | SC5 | | Nov 20 |
| | | 6 preserved refunds | | Interrogate record | Service Centre | | Nov 20 |
| | | 9 deferred | | Interrogate record | Service Centre | | Nov 20 |

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|---|----------|------------------------------------|----------|---|----------------|----------|----------|
| No folder Status history | Common | 9 cases;- | High | | | | |
| | | 4 actives | | Interrogate record | Service Centre | | Nov 19 |
| | | 5 preserved refunds | | Interrogate record | Service Centre | | Nov 19 |
| Folder Status/ Status History mismatch | Common | 89 cases:- | Medium | | | | |
| | | 11 active (0.05%) | | Review cases as it appears they might be changes to folder status from monthly postings? | Finance | | Nov 20 |
| | | 1 beneficiary pensioner | | Interrogate record | SC5 | | Nov 20 |
| | | 2 deferred | | Review cases as it appears they might be changes to folder status from monthly postings? | Finance | | Nov 20 |
| | | 68 leaver options decision (8.21%) | | Review cases as it appears they might be changes to folder status from monthly postings? | Finance | | Nov 20 |
| | | 2 preserved refund | | Review cases as it appears they might be changes to folder status from monthly postings? | Finance | | Nov 20 |
| | | 5 serious ill health | | Review cases as it appears they might be changes to folder status from monthly postings? | Finance | | Nov 20 |
| Multi folder Stat history entries on Same day | Common | 60 cases:- | Low | | | | |
| | | 2 actives | | Need to look at each case as it appears they might have moved onto 2 status on the same day | Service Centre | | Nov 21 |
| | | 4 deferred | | Need to look at each case as it appears they might have moved onto 2 status on the same day | Service Centre | | Nov 21 |
| | | 13 leaver options decision | | Need to look at each case as it appears they might have moved onto 2 status on the same day | Service Centre | | Nov 21 |

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|--|-----------------|--|----------|---|----------------|----------|--|
| Multi folder Stat history entries on Same day | Common | 39 pensioners (0.17%) | | Need to look at each case as it appears they might have moved onto 2 status on the same day | Sc5 | | Nov 21 |
| | | 2 preserved refunds | | Need to look at each case as it appears they might have moved onto 2 status on the same day | Service Centre | | Nov 21 |
| Missing or bad expected retirement date | Common | 3 active cases | Low | Bulk Update | IT | | Nov 21 |
| No folder scheme history | Common | 55 cases: - | Medium | | | | |
| | | 9 active case | | Interrogate records | Service Centre | | Nov 20 |
| | | 9 deferred | | Interrogate records | Service Centre | | Nov 20 |
| | | 9 deferred ex spouse | | Interrogate records | Service Centre | | Nov 20 |
| | | 24 pensioners (0.10%) | | Interrogate records | SC5 | | Nov 20 |
| | | 4 pensioner ex spouse | | Interrogate records | SC5 | | Nov 20 |
| Missing Date joined employer | Scheme Specific | 3 active cases | Low | Interrogate records possible intrafunds | Service Centre | | Nov 21 |
| Missing earnings | Scheme specific | 4063 active cases | High | Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre | Service Centre | Ongoing | Deal with in accordance with KPI targets |
| Invalid part time service present | Scheme specific | 66 cases:- 10 actives 28 deferred 28 pensioners | Low | Interrogate record– PT indicator but no PT hours recorded | Service Centre | | Nov 21 |

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|-----------------------------------|-----------------|----------------------------|----------|---|-------------------------|----------|--|
| Missing CARE benefit | Scheme specific | 5099 active cases (22.52%) | High | Either outstanding leaver form to be received – To be chased up monthly by Comms or outstanding work in service centre. | Service Centre Comms | Ongoing | Deal with in accordance with KPI targets |
| Missing CARE revaluation rates | Scheme specific | 4038 active cases (17.94%) | High | Either outstanding leaver form to be received – To be chased up monthly by Comms or outstanding work in service centre | Service Centre Comms | Ongoing | Deal with in accordance with KPI targets |
| Invalid PSO or Sharing Order | Scheme specific | 48 cases:- (0.06%) | Low | | | | |
| | | 14 actives | | IT to alter the report so it does not pick up ex spouse surname | IT | | Nov 21 |
| | | 11 deferred | | IT to alter the report so it does not pick up ex spouse surname | IT | | Nov 21 |
| | | 23 pensioners | | IT to alter the report so it does not pick up ex spouse surname | IT | | Nov 21 |
| Invalid contracted Out date | Scheme specific | 19 cases:- | Low | | | | |
| | | 1 deferred | | Interrogate record | Service Centre | | Nov 21 |
| | | 18 pensioners | | Interrogate record | SC5 | | Nov 21 |
| Missing initial pension (DEF) | Scheme specific | 33 deferred cases | Low | Possible bare EPB cases. To interrogate and sample records | IT | | Nov 19 |
| Missing Initial CARE Pension(DEF) | Scheme specific | 96 deferred cases | Low | Interrogate record Spot check a number of cases as it might be where member joined right at the end of the year and no care benefits | Service Centre | Ongoing | Nov 21 |

| Data Category | Category | Issue | Priority | Resolution required | Responsibility | Progress | Deadline |
|--|-----------------|---|----------|---|----------------|----------|----------|
| Missing CARE initial Pension | Scheme specific | 16 pensioner cases | Low | Email sent to IT asking for the report to be expanded as the majority of cases appear to be correct | IT | | Nov 19 |
| Beneficiary link to Pensioners missing | Scheme specific | 1274 beneficiary pensioner cases (48.51%) | N/A | Speak to MSM - Pensioner Services | SC5 | | Nov 21 |
| Beneficiary type missing | Scheme specific | 1274 beneficiary pensioner cases (48.51%) | Low | Speak to MSM - Pensioner Services | SC5 | | Nov 21 |
| Start date inconsistency | Scheme specific | 5272 Active cases (23.29%) | Low | Interrogate Record to see if this can be populated by bulk update | IT | | Nov 21 |
| Ben Crystallisation Record | Scheme specific | 39 Pensioner cases (0.17%) | Low | Speak to MSM - Pensioner Services | SC5 | | Nov 21 |
| Benefit Crystallisation Details | Scheme specific | 486 Pensioners cases (2.10%) | Low | Speak to MSM - Pensioner Services | SC5 | | Nov 21 |
| Annual Allowance Calculation | Scheme specific | 2915 Active cases (12.87%) | Low | | | | Nov 21 |
| Deferred - No Total Exit GMP | Scheme specific | 4918 deferred cases (17.75%) | Low | Report to be revised | IT | | March 20 |
| No Post88 Exit GMP | Scheme specific | 4076 deferred cases | Low | Report to be revised | IT | | March 20 |

This improvement plan primarily aims to address the key issues identified from the Funds Data Quality review and data quality score and details the plans in place to improve the data we hold.

**Open Report on behalf of Andrew Crookham, Executive Director -
Resources**

| | |
|------------|------------------------------------|
| Report to: | Lincolnshire Pensions Board |
| Date: | 09 January 2020 |
| Subject: | Temporary Bank Accounts |

Summary:

This report updates the Board on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries of the scheme.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

Recommendation(s):

That the Board note the report.

1.0 Background

- 1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who appear to be entitled to a pension scheme benefit but for whom we have lost contact with.
- 1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5 year period. As a result temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.
- 1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.
- 1.3 The Pensions Board have asked for the number of temporary accounts held and the amount of money held in these accounts.

2.0 Lost Contact Pensioners/Deferreds

- 2.1 The number of temporary deposit accounts held for this category of members is has decreased to 42 from 64 which was reported at the last Pensions Board.

Total number: 42

Current amount held in accounts: £55,736.18

3.0 Post 2014 Preserved Refunds

- 3.1 The number of temporary deposit accounts held for this category of members has increased to 64 from 38:

Total number: 64

Current amount held in accounts: £3,777.81

- 3.2 This is an increase of 26 reported at the last Pensions Board, as expected as more and more members come up to their five year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.
- 3.3 A full breakdown of the number of accounts opened and closed is shown at **Appendix 1**.

4.0 Tracing

At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the national Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.

5.0 Conclusion

- 5.1 Payments into a temporary bank account are made when all tracing options are exhausted and means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.
- 5.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

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 Pensions Manager.

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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Lincolnshire LGPS Deposit Accounts - Summary

Up to 16th Dec 2019

STG1 - Pensioner/Beneficiary

Currently Opened

| | |
|-------------------------------------|------------|
| No. of Deposit with Credit Balances | 42 |
| Total Credits | £55,736.18 |

Opened Accounts

| | |
|---------|----|
| 2019/20 | 14 |
| 2018/19 | 34 |
| 2017/18 | 66 |
| 2016/17 | 11 |
| 2015/16 | 4 |

Closed Accounts

| | |
|---------|----|
| 2019/20 | 34 |
| 2018/19 | 22 |
| 2017/18 | 27 |
| 2016/17 | 4 |
| 2015/16 | 0 |

STG2 - Post 14 Refunds

Currently Opened

| | |
|-------------------------------------|-----------|
| No. of Deposit with Credit Balances | 64 |
| Total Credits | £3,777.81 |

Opened Accounts

| | |
|---------|----|
| 2019/20 | 70 |
|---------|----|

Closed Accounts

| | |
|---------|---|
| 2019/20 | 6 |
|---------|---|

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Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director – Resources

| | |
|------------|--|
| Report to: | Lincolnshire Pensions Board |
| Date: | 09 January 2020 |
| Subject: | Employer Monthly Submissions Update |

Summary:

This paper provides the Board with up to date information on Employer Monthly Submissions for the second quarter of the financial year 2019/20 (July to September).

Recommendation(s):

The Board note the report and consider if there are any further actions they wish to take against employers submitting late or inaccurate payments or data.

Background

1. There are just under 270 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over any contributions due to the Fund by the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.
2. Concern was raised by both the Pension Committee and the Pensions Board at their meetings in October 2019 about the continuing number of employers submitting late or incorrect data and contributions. Officers agreed to review the Fund's arrangements for monitoring contributions and report back to the Committee and Board. In reviewing arrangements the following actions have been taken:
 - The Fund has enquired with other funds as to the processes they have in place to monitor contributions – the Fund remains content that our processes are robust and at least as comprehensive as other funds.
 - The Chair of the Pensions Board has written to all employers and payroll providers, in November, reminding them of their statutory responsibilities for providing information to the Pension Fund.

- The Fund has also revisited internal processes to ensure that these remain focussed and robust. From this review we have: revisited and clarified responsibilities between the Fund and West Yorkshire, as the Funds administrator, to ensure that tasks are being completed in the right place and on a timely basis. Standard communications issued to employers have also been reviewed, to ensure they are clear, and that they understand exactly what error has occurred and the action required to correct it.
 - The Fund has revisited its escalation processes to ensure that any issues are addressed at the earliest opportunity. Employers submitting late information are reviewed monthly within the Pensions Team. Repeat offenders are referred to the West Yorkshire Pension Fund Representatives who contact them to offer advice and see if any further training is required. The Head of Pensions will also consider the need to contact the employer's strategic contact to further escalate the matter.
- 3 The Fund continues to monitor the receipt of payments and data from employers each month. Within the Pensions Team, the Finance Technician post is responsible for monitoring employer contributions, checking the timeliness of submissions and accuracy at a high level. Additional checks are also undertaken by the West Yorkshire Finance Team on the detail within the data submissions (such as employer contribution rates), and the pensions system itself identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).
 - 4 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, the Fund and West Yorkshire Finance Team are in regular contact with employers and their payroll providers to prompt payments/data submissions and clarify any queries. Much work has been put into building a good relationship with the employers and payroll providers, to assist in understanding the process and the data required.
 - 5 A summary of all late contributions or data submissions since April 2019 is set out in table one below.

Table One: Late contributions and data submissions to September 2019

| Month | Payment of Contributions | | Submission of Data | |
|--------------------------|--------------------------|------|--------------------|------|
| <i>April</i> | 6 | 2.3% | 14 | 5.3% |
| <i>May</i> | 3 | 1.1% | 10 | 3.8% |
| <i>June</i> | 3 | 1.1% | 23 | 8.7% |
| July | 9 | 3.4% | 15 | 5.7% |
| August | 6 | 2.3% | 12 | 4.5% |
| September | 3 | 1.1% | 11 | 4.2% |
| Total for 2019/20 | 30 | | 85 | |

- 6 The analysis shows the number of employers making late contributions is a relatively small percentage of the overall number of employers. A higher number of employers submit their data returns late, or have made an incorrect submission by the deadline date (i.e. their data contains errors, or does not agree to the contributions paid across). The main reasons for late payments in the quarter relates to changes in payroll staff at employers and employers changing payroll provider.
- 7 None of these breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 8 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two below sets out the number of fines issued since April 2019. Details of the individual employers fined in quarter one can be found at **Appendix A**.

Table Two: Late contributions fines to September 2019

| April | May | June | July | August | September |
|-------|-----|------|------|--------|-----------|
| 2 | 2 | 5 | 4 | 3 | 3 |

Conclusion

- 9 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions Board understand if there are any issues arising from late payments or data and any further actions which are required to address employers not meeting their statutory responsibilities.
- 10 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.
- 11 The Fund has reviewed its processes for contribution monitoring to ensure that they remain robust and appropriate.

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 | Late Contribution Fines July to September 2019 |

Background Papers

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

Late contributions fines July to September 2019

July 2019

| Employer | Late Submissions |
|----------------------------------|--|
| Aspens | Late Payment: April 2019, May 2019, June 2019 and July 2019 |
| Crowland Parish Council | Late Data and Payment: March 2019 and April 2019 Payment and Data do not match: June 2019 and July 2019 |
| St Lawrence Acaedemy, Horncastle | Late Data: May 2019 Payment and Data do not match: March 2019 and July 2019 |
| Springwell Academy | Payment and Data do not match: February 2019, June 2019 and July 2019 |

August 2019

| Employer | Late Submissions |
|----------------------------------|---|
| Aspens | Late Payment: April 2019, May 2019, June 2019, July 2019 and August 2019 |
| Banovallum Academy, Honcastle | Payment and Data do not match: June 2019, July 2019 and August 2019 |
| St Lawrence Acaedemy, Horncastle | Late Data: May 2019 Payment and Data do not match: March 2019, July 2019 and August 2019 |

September 2019

| Employer | Late Submissions |
|--------------------------|---|
| Boston High School | Payment and Data do not match: July 2019, August 2019 and September 2019 |
| Thomas Cowley Academy | Late Payment: April 2019 Payment and Data do not match: July 2019 and September 2019 |
| Cranwell Primary Academy | Late Data: June 2019 Payment and Data do not match: July 2019 and September 2019 |

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Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director – Resources

| | |
|------------|---|
| Report to: | Lincolnshire Pension Board |
| Date: | 09 January 2020 |
| Subject: | Border to Coast Pension Board Chairs Meeting |

Summary:

This report sets out the minutes from the Border to Coast Pension Board Chairs meeting held on Thursday 10 October 2019.

Recommendation(s):

That the Board note the minutes from the meeting.

Background

Meeting of Border to Coast Pensions Partnership Local Pension Board Chairs

Date and Time: 10 October 2019 12.00

Venue: Royal Armouries, Leeds

Minutes

| | |
|----------------|---|
| Present: | Keith Bray - Warwickshire Roger Buttery – Lincolnshire Nicholas Harrison – Surrey (part) Guy Lonsdale – East Riding Colin Monson - Teeside Gerard Moore – Bedfordshire and Northumberland David Portlock – North Yorkshire Garry Warwick – South Yorkshire Jim Woodingfield – Tyne and Wear |
| In Attendance: | Nicholas Wirz – Scheme Member Representative on the Border to Coast Joint Committee Cllr Doug McMurdo – Chair Border to Coast Joint Committee Chris Hitchen – Chair Border to Coast Ltd George Graham – Fund Director SYPA – facilitator |
| Apologies: | Deirdre Burnett – Cumbria |

1. **Border to Coast Joint Committee – Scheme Member Representation**

Chairs discussed with NW, DMc and CH the current position whereby there was one scheme member representative with a standing substitute who by custom was able to participate in the same way as the formal representative, resulting in a de facto position of two representatives. While no formal resolution was arrived at the broad consensus seemed to be that while regularising the current position would be beneficial the current position was a reasonable compromise given the divided views of elected members on the Joint Committee.

2. **Feedback from the Border to Coast Joint Committee**

NW outlined the business discussed at the recent meeting of the Joint Committee which had included elections for both the Chair and Vice Chair and a Non-Executive Director of the Company. The formal business had included a review of the performance to date of funds already launched and details of the funds currently working through the launch process.

3. **Holding Border to Coast to Account**

Chairs discussed the ways in which Boards might ensure that Border to Coast was being properly held to account. It was noted that there remained disparities between funds in the way information was shared with members of pension committees and Boards.

There was a feeling amongst Chairs that Local Pension Boards should concentrate on looking at things through a governance and compliance lens, in particular showing that decisions are made with due care and attention.

It was important for Boards to ensure that Funds were not allowing the “operator” tail to wag the dog.

There was some discussion around the potential conflicts of interest in relation to shareholder nominated Non-Executive Directors and a view that this signified “too cosy” a relationship. While this was not a universal view there was also discussion around the role of these Directors should the Company not perform adequately.

4. **TPR Deep Dive and the Good Governance Review**

Chairs discussed the broad conclusions coming out of these pieces of work and noted in particular that TPR’s focus was broadening away from COP14 and that they were moving in the direction of a single code which could present some challenges in the LGPS context.

It was noted that TPR seemed to have higher expectations of Boards with independent chairs, and was looking to Boards to have more than the minimum number of members in order to maintain a quorum.

The focus on the role of the s151 officer in both pieces of work was noted.

5. Duplication of Effort Between Boards and Committees and Reporting Between Board and Committee

Chairs accepted that there was always a risk of some duplication but shared means of ensuring that either specific activities were in effect delegated to the Board or the Board looked at things from a different perspective or in more depth than was possible at the Committee. This was particularly true of issues related to pension administration.

Reporting between the Board and Committee tended to take the form of the presentation of minutes from one to the other, or the consideration of specific recommendations if issues had arisen. Chairs reflected that they attended meetings of Pensions Committee at least periodically.

6. Managing Employer Diversity

Chairs highlighted the challenges posed in terms of representation by the increasing diversity in the employer base. It was accepted that it was difficult to achieve a truly representative employer side of a Board, and differing practice was shared.

7. Implications of the New CMA Regulations

It was noted that these did not have an implication for Border to Coast as an operator but that there was an implication for Funds with retained investment consultants and for those commissioning specific pieces of consultancy work although in the latter case the objectives would be set out in the brief.

Questions still remained about whether independent advisers required to be registered with the FCA in some way given that they were not involved in picking specific products or managers. This was an ongoing discussion.

Next Meeting: A date will be identified during May 2020.

Conclusion

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

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.



Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|---|
| Report to: | Lincolnshire Pension Board |
| Date: | 9 January 2020 |
| Subject: | The Pensions Regulator – Governance and Administration "Deep Dive" Engagement Report |

Summary:

This report introduces the Pensions Regulator's Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

Recommendation(s):

That the Board note the Pensions Regulator's report its findings.

Background

1. In the Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this.
2. The engagement took place between October 2018 and July 2019, following the results of TPR's annual governance and administration survey, in which it was identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR carried out the review at a high level, based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.
3. It was not a comprehensive evaluation of the funds' operations and was not intended to replace audit requirements, nor was it to be considered as regulatory assurance or an endorsement of the fund by TPR.
4. The full report is attached at Appendix A, and the key recommendations are shown below, taken from the Hymans Robertson 60 Second Summary, attached at Appendix B:

- **Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.
- **Internal controls** – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks
- **Administrators** – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.
- **Member communication** – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.
- **Internal dispute resolution** – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.
- **Pension Boards** – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.
- **Employers and contributions** – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.
- **Cyber security** – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.
- **Internal fraud and false claims** – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

Conclusion

4. The TPR's Governance and Administration Risks in Public Service Pension Schemes Engagement Report sets out the findings and recommendations from a deep dive into the administration and governance of 10 LGPS funds.

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 | The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report |
| Appendix B | Hymans Robertson TPR Engagement Report 60 Second Summary |

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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Governance and administration risks in public service pension schemes: an engagement report

About this report

Findings from our engagement with 10 local government funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. As part of each engagement we fed back on good practice and suggested improvements that could be made.

The engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. We were pleased to note that scheme managers were already sharing good practice with their LGPS peers and hope that working with us offered scheme managers a new perspective on their funds.

We carried out this review at a high level based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.

It is not a comprehensive evaluation of the funds' operations and is not intended to replace audit requirements, nor is it to be considered as regulatory assurance or an endorsement of the fund by The Pensions Regulator (TPR).

Executive summary

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our [annual public service governance and administration survey](#).

Key person risk: While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.

Pension boards: Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full

documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

Fraud / scams: We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.

Employers: We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The following sections detail our findings and recommendations, together with case studies we believe will be helpful to the PSPS community.

Key findings and associated case studies

Area of focus: Record-keeping

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

| Findings | Recommendations |
|---|--|
| <p>Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.</p> <p>Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises and improving contract management methods.</p> | <ul style="list-style-type: none">• Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.• The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.• Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The |

| | |
|--|---|
| They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund. | Pension Board should review the PAS and ensure it will stand up to challenges from employers. |
|--|---|

Record-keeping case study 1

One scheme manager we engaged with identified concerns with the accuracy of both the common and scheme specific data it held about the fund members. Following engagement with TPR, the scheme manager created and implemented a robust data improvement plan to drive up record-keeping standards.

One of the data areas of concern for the scheme manager was the number of missing member addresses - this resulted in data scores of 60-80% for common and scheme specific categories. After a review of available resources, the scheme manager undertook a tracing exercise and within a short period of time was able to locate and carry out existence checks on over 90% of the deferred members without known addresses. The exercise also involved reviewing the way active and pensioner members are communicated with to ensure the fund holds the correct contact details for them.

This is an example of a scheme manager taking a holistic approach to improving its record-keeping standards. It gave consideration to the resource available so the project achieved a positive result while providing good value for money. The scheme manager has established that having a data improvement plan which is regularly reviewed will improve oversight of the actions it needs to take and the associated deadlines.

Record-keeping case study 2

The scheme manager of a fund we engaged with openly communicated with us about the challenges it faced in producing Annual Benefit Statements. We were told delays were caused by employers not providing member data to the scheme manager on time, and there were issues with the accuracy of some member data provided by employers.

Having considered its operational structure, and our expectations on governance and administration, the scheme manager reorganised itself internally. With the support of the s.151 officer, the scheme manager developed and implemented a robust data improvement plan which could be measured.

As well as creating a data improvement plan the scheme manager also strengthened its pension administration strategy, outlining responsibilities and the timeframes for action. This document made the consequences of non-compliance by employers clear, such as financial penalties. The scheme manager has also introduced regular employer forums to help further raise standards with employers.

As a result the scheme manager has seen a marked improvement in employer engagement and the quality of member data it holds. It continues to actively monitor both data quality and employer compliance.

Area of focus: Internal controls

Code of Practice 14 – Governance and administration of public service pension schemes

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

| Findings | Recommendations |
|---|--|
| <p>There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks.</p> <p>We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role.</p> <p>Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.</p> | <ul style="list-style-type: none">• A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.• The scheme manager should take a holistic view to risks and understand how they are connected.• The pension board should have good oversight of the risks and review these at each pension board meeting.• Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.• The scheme manager should ensure all processes are documented and reviewed on a regular basis.• Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate. |

Internal controls case study 1

A scheme manager has reviewed the approach it takes to maintaining a risk register, having found the approach it was taking could be more effective.

The scheme manager developed a high level document which identifies a wide range of risks with all members of the senior leadership team having a role in the identification and scoring of potential risks.

This document is supported by detailed 'risk maps' which provide:

- (i) a description of the identified risks
- (ii) the person responsible for overseeing the risk
- (iii) how the risk is scored and
- (iv) details of the mitigating actions and controls in place

Action points identified have clear timescales for completion with an identified person being responsible for delivery.

The full risk register is made available to the pension committee and pension board each time they meet and its review is a standing item on both agendas. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

This is an example of a fund which is engaged at all levels of seniority to identify and mitigate risks to good saver outcomes. There are clear, identified processes in place along with strong oversight of the work being done. This approach was devised before TPR began to engage with the scheme manager and demonstrates a clear desire to improve.

Internal controls case study 2

A scheme manager has developed two risk registers, one for the pension committee (which acts as delegated scheme manager) and a separate, shorter, register for the pension board.

The risk register for the pension board had been reduced in size and detail at the request of the pension board. We have concerns the reduced risk register will prevent the pension board members from having full oversight of all the fund's risk and applying their knowledge and understanding in an appropriate way as they will not be fully conversant with the facts surrounding each risk.

The pension board also only reviews the risk register twice a year. We believe the risk register should be a standing item on the agenda for both the pension committee and the pension board and reviewed at each meeting – ie it will be reviewed at least each four times a year by each body.

We gave feedback to the scheme manager about our concerns and recommendations, and would encourage funds that adopt similar practices to consider how they can make more effective use of the pension board and improve the engagement levels of its members.

Area of focus: Administrators

Code of Practice 14 – Governance and administration of public service pension schemes

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

| Findings | Recommendations |
|--|---|
| <p>Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done.</p> <p>Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members.</p> <p>There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.</p> | <ul style="list-style-type: none">• Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.• Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.• It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.• Scheme managers should hold regular meetings with their service providers to monitor performance. |

Administrator case study 1

A scheme manager had entered into a outsourcing contract with an administrator. The administrator's performance over a period of time was unsatisfactory, and targets and SLAs were not consistently met. Despite the council's finance director personally intervening with the administrator, matters were not improved to acceptable levels and penalty clauses were invoked.

The scheme manager decided to terminate the contract and review alternative administrative options, with a key aim of including more visibility, which the previous contract type arrangement had not provided.

The scheme manager decided not to take the administration back in house, but to enter into a third option, a shared service partnership with another administrator. This is charged on a shared cost per member basis. The new administrator also provides administrative services for a few other public service funds. The scheme manager is now part of a collaborative board and engages regularly with other scheme managers, has better visibility and good reporting functionality which now enables easy monitoring of the administrator's performance.

Data quality improvements were recognised as a key focus for the new administrator on its appointment. The scheme manager developed and put in place a robust data improvement plan with the new administrator and has made considerable improvements in its data quality scores in a short period of time. They are now using the plan as a living document to continue to target the areas needing improvement.

Administrator case study 2

One of the scheme managers had appointed a third party administrator using a partnership agreement, rather than a commercial contract. This demonstrates one of a number of approaches taken by scheme managers to secure administration services.

The scheme manager has established a clear set of objectives for the administrator and receives monthly reports about whether these are being met. The reports are shared with the pension board. Additionally, at each pension board meeting a representative of the administrator is present. This allows the pension board members to directly question the administrator about the work it is doing on behalf of the scheme manager and ensure that good saver outcomes are achieved.

Even when a scheme manager uses an outsourced administration service it remains liable for the work done on its behalf. This example demonstrates positive steps taken by a scheme manager to ensure it has effective oversight and can hold an administrator to account.

Administrator case study 3

A scheme manager was informed that its third party administrator intended to restructure in order to improve the level of service it provided to its clients. The administrator was confident that the restructure would not affect its business as usual work and the scheme manager took comfort from this without seeking more detailed assurances.

The restructure did not go as planned, which led to delays in member data being processed and SLAs not being met for around six months. The scheme manager has since increased the number of both operational and strategic meetings it holds with the administrator to combat the declining performance of the administrator.

As part of this work the scheme manager has set clearly documented expectations and provided priorities to the administrator to minimise the number and impact of poor saver outcomes. The scheme manager has now developed new ways of working with the administrator to ensure it probes the administrator's plans in more detail in the future.

This is an example of a scheme manager placing excessive reliance on assurances from an administrator without seeking evidence that supported the assurances. Robust contract management is important and will help scheme managers to identify upcoming risks to savers and to build a strong understanding of the information being provided.

Area of focus: Member communication

Code of Practice 14 – Governance and administration of public service pension schemes

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

| Findings | Recommendations |
|---|---|
| <p>A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.</p> <p>Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.</p> | <ul style="list-style-type: none"> • Information sent to members should be clear, precise and free from jargon. • There should be senior oversight of communications sent to members and prospective members. • It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys. |

Member communication case study 1

A scheme manager had previously delegated responsibility for communication with members to its third party administrator. However, it had a number of concerns about

the quality of the service being provided, which included how members were kept informed and the level of detail provided.

The scheme manager took the decision to change its administrator and has now taken greater control over the communication with members. This has led to the development of a new pension administration strategy, with clear expectations around member communications being set and monitored.

A new website is being developed and the scheme manager recognises that having a clear online presence is an important method of communicating with current and potential members.

It is important to communicate with members, potential members and other relevant savers in a clear way. The information provided by a scheme manager will be used by members to make important decisions about their financial affairs. This is an example of a scheme manager looking to improve the member experience through revising the way it communicates.

Member communication case study 2

We engaged with a scheme manager that has developed a detailed communication strategy, which covers the content, frequency, format and methods of communicating. The scheme manager actively promotes the benefits of joining the fund to prospective members and through the participating employers.

Two people are responsible for different aspects of member communications, with all material being formally approved by the scheme manager before being used. The scheme manager has developed a wide range of accessible materials for savers, including a website, a wide range of information booklets, and newsletters.

Members are informed clearly of how they can raise any queries or concerns about the operation of the fund. This includes members being able to go to the scheme manager's offices in person to discuss any queries with a suitable member of staff.

The scheme manager conducts annual surveys of its members, publishing the outcomes on its website and in its annual report. It uses this information, together with complaint trends, to identify how it can provide a better service to savers.

Area of focus: Internal Dispute Resolution Procedure (IDRP)

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

| Findings | Recommendations |
|--|--|
| <p>Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.</p> <p>Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.</p> <p>Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.</p> | <ul style="list-style-type: none"> • There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff. • People entitled to use the IDRP should be given clear information about how it operates. • This information should be easily available, eg on the fund website. • The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house. • Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund. |

IDRP case study 1

All the scheme managers we engaged with operate a two stage IDRP, where the first and second stages are looked at by people who are independent of each other.

Initially, one of the scheme managers we engaged with didn't have oversight of complaints entering the first stage of the IDRP. These complaints were dealt with by employers as they were not considered to be issues about the fund or an in-house administration matter. This meant the scheme manager did not have full oversight of the first stage complaints and therefore could not identify whether there were any trends or patterns that needed addressing, eg an employer training issue.

Following engagement as part of the cohort work, we recommended that the scheme manager develop greater oversight of the work being done on its behalf. The scheme manager now recognises this is an area where it should improve and has amended its processes to ensure it is aware of how member outcomes are being managed when first stage IDRP complaints are received.

IDRP case study 2

Like all other funds we engaged with, this scheme manager operates a two tier IDRP. However, the scheme manager stood out in this instance for the detailed and methodical manner in which it records complaints that are raised.

All complaints are recorded in a single log which detail how it progresses, potentially from an initial concern through to a finding issued by the Pensions Ombudsman. This allows the scheme manager to analyse complaint trends and the learning points are used to improve the operation of the fund.

Additionally, all actions relating to complaints have a clear owner. This allows for strict quality control and helps ensure complaints are dealt with as soon as possible.

We would encourage all scheme managers, where they have not already done so, to adopt a detailed and auditable approach to monitor complaints and compliments received through all channels.

Area of focus: pension boards

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function.

| Findings | Recommendations |
|--|---|
| <p>Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board.</p> <p>We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.</p> <p>The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager,</p> | <ul style="list-style-type: none"> • The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance. • Individual pension board member training and training needs should be assessed and clearly recorded. • The pension board should meet an appropriate number of times a year, at least quarterly. • Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager. • Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs. • Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration |

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| including a willingness to challenge, we found better-run funds. | <p>of the fund.</p> <ul style="list-style-type: none"> • The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency. • Pension board members should be fully engaged and challenge parties where appropriate. |
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Pension board case study 1

One scheme manager spoke to us about the challenge it has faced regarding attendance at pension board meetings, and ensuring the pension board has the required level of knowledge and understanding. At one time it had to reschedule a meeting of the pension board because so few people attended the meeting.

Since then the scheme manager has changed its policy on pension board meetings. One pension board member with a low attendance record has been removed and replaced with a more engaged representative.

The scheme manager is also reviewing how it records the training that pension board members attend. Currently, training is recorded at a high level and there is no clear method of identifying training needs, although informal discussions take place between the scheme manager and individual pension board members.

The scheme manager has recognised that it needs to better understand how pension board members are meeting their obligation to have an appropriate level of knowledge.

Pension board case study 2

Another scheme manager we engaged with has reviewed how the pension board operates and decided to appoint an independent chair. While the chair does not have voting rights, this person lends their expertise to the running of the pension board to ensure meetings run effectively.

Having an independent chair is not compulsory but in this instance is a positive example of a scheme manager being aware of the needs of the local pension board and taking steps to ensure it operates effectively.

The scheme manager has also developed a strong working relationship with the chair, holding a number of informal meetings outside of the formal pension board meetings. This working practice allows the scheme manager to ensure the pension board receives all the information it needs and that the scheme manager can comprehensively answer any anticipated questions.

Area of focus: Employers and contributions

Code of Practice 14 – Governance and administration of public service pension schemes

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

| Findings | Recommendations |
|---|---|
| <p>Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.</p> <p>Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk.</p> <p>Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types,</p> | <ul style="list-style-type: none"> • Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus. • Employer solvency should be considered on an ongoing basis and not just at the time of each valuation. • Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier. • Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations. • Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees. • Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security. • Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be |

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| generally those with larger funds. Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances. | taken to secure fund assets. <ul style="list-style-type: none"> Where security is in place, Scheme Managers should have a policy on when the security should be triggered. |
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Employer case study 1

Having a robust method for reviewing employer risk is a high priority for one of the scheme managers we engaged with. It has developed a process to maintain oversight of the various participating employers in the fund, covering a range of topics from the provision of member data to the strength of the employer covenant.

Each employer is risk rated and the risk levels are regularly monitored. This allows the scheme manager to gain advance notice of potential problems so it can take steps to mitigate the risks and to provide comfort that guarantors are in a position to pay additional amounts to the fund if a call on the guarantee is made.

This information is also used to inform employers of any failures to meet their obligations to the fund at an early stage, identifying action points they need to carry out.

Employer case study 2

Scheme manager 1 has decided to incorporate a charging policy for seeking the reimbursement of costs caused by an employer's failure to comply with its obligations into admission agreements. This means the scheme manager has a clear policy in place that all employers will be aware of when they start to participate in the fund.

Not all scheme managers have approached the issue of employer compliance in the same way. Scheme manager 2 has a small portfolio of participating employers and relies on having a good relationship with them in order to achieve compliance. This scheme manager also considers that as most employers are supported by central government it need not be concerned with affordability.

We were concerned about the lack of formal processes to ensure compliance. While the scheme manager has not encountered difficulties to date, we have recommended that it makes some improvements. Additionally, all scheme managers should remember that, should a participating employer suffer an insolvency event, any missing payments due to the fund will need to be paid by someone and there should not be an over-reliance on the taxpayer and other employers.

Area of focus: Cyber security

Guidance: Cyber security principles for pension schemes

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. Scheme managers need to take steps to protect their members and assets accordingly.

| Findings | Recommendations |
|---|---|
| <p>Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority.</p> <p>Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager.</p> <p>Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.</p> | <ul style="list-style-type: none">• Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.• Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.• Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.• Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data. |

Cyber security case study 1

A scheme manager we engaged with identified cyber security as one of the top risks to the fund. It demonstrated a good awareness of the processes put in place by the Local Authority and carries out testing of these processes.

The scheme manager had recently tested both its cyber defences and the wider business continuity plan. As a result it is confident it can provide a good service to savers in the event of a wide variety of disaster scenarios.

As part of our engagement we also found the scheme manager has processes in place to assess the adequacy of steps taken by its service providers to protect member data. This gives the scheme manager comfort that member data will be secure when being handled by other bodies.

Although the scheme manager has not implemented its own controls it has rigorously reviewed the process put in place by the Local Authority. It has satisfied itself that those processes are of a sufficient standard to protect the fund and its savers.

Cyber security case study 2

A scheme manager had not considered the importance of cyber security until we engaged with them as part of this work. The scheme manager was reliant on the security measures put in place by the council but did not engage on the topic, so it was not clear how it was affected.

Cyber security did not appear on the fund's risk register and the scheme manager was not actively considering the dangers of a successful cyber attack on the fund.

Following our engagement, the scheme manager has developed its understanding of the risks surrounding cyber security. It now records the risk on its risk register and as part of the Local Authority's strategy all staff will receive mandatory training in cyber security.

The scheme manager has also started engaging with third party service providers to ensure they also have robust cyber security and data protection procedures in place. This gives the scheme manager better oversight of how member data is protected when not under the scheme manager's direct control and marks a significant improvement in how this risk is monitored and mitigated.

Area of focus: Internal fraud and false claims

[Code of Practice 14 – Governance and administration of public service pension schemes](#)

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

| Findings | Recommendations |
|---|--|
| Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures. | <ul style="list-style-type: none">• Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.• A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment. |

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| <p>Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.</p> <p>Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.</p> | <ul style="list-style-type: none"> • A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver. • Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence. • When paper records are being used they should be held securely to prevent the risk of loss or misappropriation. |
|---|---|

Fraud case study 1

A scheme manager has worked with its administrator to put in stringent measures to prevent fraudulent activity. In addition to participating in the National Fraud Initiative, it does regular life certificate exercises as part of the fund's policy, checking mortality and addresses. Where doubts are raised the scheme manager will suspend payments pending clarification.

Many of the members of the fund are now non-resident in the UK, which provides challenges to the scheme manager in locating members. The scheme manager has adopted an innovative use of technology for the foreign domiciled members by arranging video calls to speak to the member who must show their passports to provide their identity and confirm personal details.

The scheme manager demonstrated good awareness of the risk of internal fraud by connected persons, and there is clear segregation of duties. Additionally the workflow processes being system driven provide automatic checks with different people checking and authorising the processes. Suspicious payments are immediately reported to senior management to check.

Fraud reporting policies are clear, and internal auditors are involved whenever there is suspicion of a fraudulent activity. The fraud reporting goes immediately to directorship and chief executive level.

Fraud case study 2

In this instance the scheme manager has strong controls in place to identify potential frauds against the fund assets.

The scheme manager works with the National Fraud Initiative to identify instances of possibly fraudulent claims for a benefit from the fund. The scheme manager's work

in this area is supplemented by its involvement with the 'Tell Us Once' initiative and the use of a third party agency to help identify when beneficiaries have passed away.

The scheme manager also demonstrated an awareness of the risks associated with members and other potential beneficiaries being overseas. It carries out existence checks on these people as well as those residing in the United Kingdom.

When a payment is due to be made, the scheme manager has introduced a vigorous set of controls. This has led to a clear separation of duties and the requirement for payments to be independently authorised, reducing the risk of fund employees misappropriating fund assets.

Conclusion

We've outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

- Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.
- Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
- Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.

- Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

Glossary of terms

| Term | Description |
|-------------------|---|
| CETV | Cash Equivalent Transfer Value, a valuation of a members benefit entitlement that can be transferred to another scheme. |
| FCA | The Financial Conduct Authority, which regulates firms in the financial sector including IFAs. |
| Firm | A business in the financial sector carrying out activities that require authorisation from the FCA. |
| Fund | A locally administered element of a wider pension scheme. |
| IFA | Independent Financial Adviser, a person with FCA authorisation to advise people about financial decisions. |
| Member | A person who has paid into and expects to receive or is receiving a benefit from a pension scheme. |
| PAS | Pension Administration Strategy, a document detailing roles and responsibilities as well as penalties for non-compliance with duties to the fund. |
| Pension Board | A body that supports and advises the scheme manager. |
| Pension committee | A body running a pension scheme with the delegated authority of the scheme manager. |
| PSPS | Public Service Pension Scheme |
| Saver | A potential beneficiary of a pension scheme, whether or not they are a member. |
| s.151 officer | A senior member of staff at a Local Authority. Controls resourcing across the Authority, including for the running of the local element of the Local Government Pension Scheme. |
| Scheme | A pension scheme which may have separate funds within it. |
| Scheme manager | The person or body legally responsible for the operation of a PSPS. |
| SLA | Service Level Agreement, an agreed and measurable level of quality usually forming part of a contract. |

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Sixty second summary

TPR announces results of its Governance and Administration ‘deep dive’ into 10 LGPS funds

TPR headline conclusions:

- TPR recognises that not all funds are the same and there are equally valid approaches to the mitigation of risk across LGPS funds
- Clear benefits to the operation of LGPS funds when there is an engaged s.151 (E&W) or s.95 (Scotland) officer who is directly involved
- Robust internal controls and risk management are required to ensure the scheme is administered and managed in accordance with scheme rules and the wider requirements of the law
- Good quality data and record keeping underpins a successful LGPS fund

TPR ‘deep dive’

Back in Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds throughout the latter half of 2018 and into summer 2019. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews were to be completed at a high level and were, in the main, based on the Code of Practice 14: Governance and administration of public service pension schemes. Each Fund completed 5 meetings with TPR on various risk areas:

- Administration, data and communication
- Internal controls and complaint handling
- Contributions, employer compliance and funding affordability
- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest
- Fraud, mitigation of scams and cyber security

These meetings gave TPR a strong insight into current governance and administration practice and standards at LGPS funds. In order to be “Regulator ready”, our recent [60 Second Summary](#) suggested focus needs to be placed on the 3 P’s – Policies, Processes and People. This messaging has been backed up in the findings set out in TPR’s recently published [engagement report](#) which covers feedback from its meetings with the 10 LGPS funds.

Conclusions of TPR engagement – lots for funds to consider and action

As part of the recent [Good Governance](#) project we undertook on behalf of the SAB, there is recognition that a universal structure and mandated policies and processes may hinder, rather than help, good outcomes at LGPS funds. This is reflected in TPR’s findings, where it is recognised that one size does not fit all. They also recognise that an engaged s.151 officer leads to better run funds. Even so, as you might expect, a number of recommendations are made across each element covered as part of TPR’s engagement with funds, and the key points are summarised below.

Record keeping – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.

Internal controls – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks

Administrators – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.

Member communication – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.

Internal dispute resolution – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.

Pension Boards – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.

Employers and contributions – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.

Cyber security – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.

Internal fraud and false claims – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

Conclusion

TPR's findings continue the theme and trends that we hear daily from LGPS funds – their push to improve their Policies, Processes and People. It is pleasing TPR confirms that many of the governance and administration conversations and actions happening in the LGPS are heading in the direction expected of them, although there is always room for further improvement.

If you would like to talk through any of the areas mentioned within the TPR report, or to discuss how we can help you, please do get in touch with one of our Benefits and Governance team members.

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Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|-----------------------------------|
| Report to: | Lincolnshire Pension Board |
| Date: | 09 January 2020 |
| Subject: | Training Needs |

Summary:

This item provides Board Members the opportunity to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content.

This report also brings to the Board any conference or training highlight notes from the previous three month period.

The Board should consider if there is any further training they wish to receive or attend in future months.

Recommendation(s):

That the Board are:

1. requested to share information on relevant events attended since the last Board meeting;
2. note any conference and training feedback from the previous three months; and
3. consider if there is any further training required in future months.

Background

- 1 The Fund's Training Policy requires members of the Pensions Committee, following attendance at any conference, seminar or external training events to share their thoughts on the event, including whether they would recommend it for others to attend. It was agreed that this would be a useful addition to Pension Board meetings too.
2. Therefore the Board are requested to share information on relevant events attended since the last Board meeting.

3. For the Boards information attached are Hymans Robertson Conference Highlights from:
- LGPS Pension Managers' Conference – 19-20 November 2019, Torquay; and
 - Local Authority Pension Fund Forum (LAPFF) – Conference 2019 – 4-6 December 2019, Bournemouth

Conclusion

4. The Board consider past training events attended and future training needs.

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

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| These are listed below and attached at the back of the report | |
| Appendix A | Hymans Robertson Conference Highlights – LGPS Pension Managers' Conference – 19-20 November 2019, Torquay |
| Appendix B | Hymans Robertson Conference Highlights – Local Authority Pension Fund Forum (LAPFF) – Conference 2019 – 4-6 December 2019, Bournemouth |

Background Papers

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

Conference highlights

LGPS Pension Managers' Conference – 19-20 November 2019, Torquay

“Don't wanna miss a thing”¹ from the 2019 Pension Managers' Conference? Read on for our summary of the key issues covered at each session. Please get in touch if there is anything from the conference which you would like to discuss further. Please note that views expressed here are those of the speakers and not Hymans Robertson.

Session 1: LGPS Advisory Board Update (Cllr Roger Phillips - Chair of the LGPS Advisory Board)

After the Chair's introduction, Councillor Phillips opened the conference with his thoughts on the main challenges facing the LGPS:

- By focusing on good governance, good data and robust investment strategies we can maintain the integrity of the LGPS. Given the scrutiny that exists it is important that we are able to demonstrate that the LGPS is well run. Projects like the Good Governance Review provide the evidence for this.
- The complexity of the LGPS and the volume of work means we need sufficient resources to administer it well.
- It remains to be seen what views any future government will have about the LGPS but a very positive relationship exists between the SAB and the MHCLG.
- LGPS investors face a complex balance between the need to recognise ESG issues and their fiduciary duties. There will be a SAB workshop in January to explore these ideas.

Session 2: LGA Update (Jeff Houston - Head of Pensions, LGA)

Jeff updated the conference with the latest developments affecting the LGPS, particularly the McCloud case:

- Due to the election purdah we can expect no legislation, guidance or consultation on any subject from government.
- The move to 4-yearly valuations may or may not be happening. If the data submitted to GAD for the next scheme valuation is good quality then one of the drivers for changing the LGPS valuation cycle falls away.
- It is still MHCLG's intention to move ahead with the £95k exit cap, but Fair Deal has been “de-prioritised”.
- Jeff outlined the NHS's (complex) proposal for members to control their pension growth to avoid Annual Allowance charges. The LGPS could consider its own measures to address the issue such as non-pensionable pay elements or life cover only membership.
- There is still considerable uncertainty over what the final McCloud remedy will look like which needs to be settled by the Government's lawyers. Whatever is decided the remedy will be administratively burdensome. Funds should start gathering data now in anticipation of needing to recreate final salary benefits for post-2014 service.

¹ For those who weren't in Torquay, the Aerosmith ballad was played throughout the conference to remind delegates to take their seats after every break.

Session 3: Admission agreements and more...

(Gary Delderfield and Gavin Paul, Eversheds Sutherland LLP)

Gary and Gavin stepped in at the last minute to replace Jeremy Hughes from MHCLG who had to pull out due to an illness. They covered the different regulations and guidance covering outsourcing arrangements, including how these can affect LGPS funds even when they don't apply to local authorities.

- While the current Fair Deal consultation is in limbo the existing Best Value Direction should be followed by local authorities when outsourcing, most commonly resulting in contractors joining the fund as an admitted body.
- Other bodies outsourcing services, notably academy schools, are covered by the New Fair Deal guidance, which again in practice usually means contractors being admitted to the fund. However, many schools may not be aware of their pensions responsibilities when letting contracts, and this can result in problems or surprises.
- The increasing number and diversity of employers in the LGPS means that outsourcing remains complex and in the absence of new guidance or regulation from MHCLG it is likely to remain so for the foreseeable future.

Session 4: The Pensions Ombudsman: Improving the Customer Journey

(Mairi Dearden – Stakeholder Manager, The Pensions Ombudsman)

Mairi provided an overview of the role of the Pension Ombudsman and the process followed when dealing with a query:

- TPO is a free, impartial alternative to taking a case to court as it is funded by a general levy. Its decisions are legally binding and it can award unlimited redress.
- The majority (80%) of complaints are dealt with by TPO informally through mediation or by providing additional explanation, without actually requiring consideration by the Ombudsman himself (or one of his deputies).
- TPO is staffed by a mixture of permanent employees and volunteers who support casework. They are always looking for more volunteers to help carry out their services.
- Mairi recommended that local authorities keep all evidence and documents when applying discretionary policies, as TPO will want to see the reasons behind any decisions that are later challenged.

Session 5: Technology Enhancements for Data Accuracy

(Nic Jones – Director, mypensionsID)

Nic Jones provided an interesting and thought-provoking presentation on the benefits of the LGPS world moving to mobile phone applications as it strives for data accuracy and engagement with its membership.

- Nic highlighted that using different communication methods (Letter / Email / Web) for different types of member (Older, Younger, in-between) may not be a good policy. For example, the perception that older people don't use email or apps is largely untrue.
- The key for Nic to resolving engagement issues for LGPS funds was technology. He advised attendees that biometric technology was available now with mobile phone apps which would solve many issues with regards to data security, member identification and maintaining accurate membership data.

Session 6: Case Law Update

(Daragh McGinty – Legal Director, Brent Wright – Partner, Osborne Clarke LLP)

Daragh and Brent updated the conference on some recent cases with implications for the LGPS:

- *Langford vs Secretary of State for Defence* - The partner of an air commodore in the RAF scheme was denied a survivor benefit because she was still married to someone else. The Court of Appeal upheld Mrs Langford's appeal on the basis that the scheme rules discriminated in a way that was unjustifiable. We could see the 'free to marry' criterion being dropped from LGPS rules as a result.
- *Corsham and others vs Police and Crime Commissioner for Essex and others* - Two police officers were hit with tax charges because they retired before age 55 and were then quickly re-employed in civilian roles. One of the forces involved was at fault because it had inadvertently misled the member about the situation. Funds must keep up to date with legislation and be clear about matters that affect members in their communications. A blanket statement to "seek financial advice" is unlikely to be sufficient.
- *Pensions Ombudsman case PO-20087* - A member of the NHS pension scheme had her application for ill-health retirement delayed due to a change of administrator, and consequently ended up with a lower pension. The Pensions Ombudsman ordered the employer to make good the difference, highlighting failures in communication with the member.
- *Pensions Ombudsman case PO-21489* - An LGPS fund paid a transfer to a member despite several warning signs that it was a scam, believing it had no legal basis to refuse. The Ombudsman disagreed and ruled that the fund should reinstate the member's LGPS benefits. Pension scams are a complex area and legal advice should be sought whenever there is any uncertainty.

Session 7. The Deep Dive Experience in the LGPS

(Nick Gannon - Policy Lead, The Pensions Regulator)

Nick provided attendees with an overview of the TPR deep dive experience throughout 2018/19 with a select group of LGPS funds:

- The deep dive was prompted by a plateauing of LGPS fund administration performance and the lack of engagement between TPR and funds.
- Nick advised that overall the LGPS is well run, and there are many instances of funds sharing best practice. However, some important risks were identified, including over-reliance on local authority (instead of fund) policies, key-person dependency, mixed performance of pension boards, data accuracy and cyber crime.
- Nick concluded his presentation by confirming that TPR fully understood that not all funds are the same but that there is a variety of ways to mitigate all the different levels of risks faced by all LGPS funds.
- Nick's final message was a sober point – "McCloud will be an administrative nightmare for LGPS funds" and that now is the time to prepare your data for the eventual solution to this issue.

Session 8. The 2019 Valuation

(Sam Ogborne and Jonathan Teasdale, Aon)

Wrapping up the conference, Jonathan and Sam attempted to answer a common question from LGPS funds right now: "what are everyone else's valuation results like, and how do they compare to mine?" Based on their own funds' results and some actuarial estimates, they compared the 'average' 2019 valuation to its 2016 counterpart:

- The average funding level has improved to around 97%, and contribution rates are slightly lower overall. The main reason for this is the strong asset returns achieved since 2016 (in the region of 30-40% over the three years).
- The outlook for the future is worse than in 2016, and strong funding positions have also allowed some funds to be more prudent in their assumptions for future returns, partially offsetting the gains from strong performance.

- Life expectancy improvements have slowed down recently, so actuaries expect future pensioners to live slightly shorter lives. Although this is bad news for pensioners, it's good news for funds and reduces liabilities.
- Finally, the McCloud case is looming over the 2019 valuations and funds are allowing for it in different ways, e.g. through greater prudence or contribution loadings. Whatever approach is taken, the funding impact is expected to be small – certainly in comparison to the administrative headache.

Workshops

1. National LGPS Frameworks: (Leon Thorpe & Pippa Bestwick, National LGPS Frameworks)

This workshop discussed a SWOT analysis of the National Frameworks.

- The main strengths of the Frameworks are the time and cost saving in procuring new services. Possible weaknesses include barriers to entrance for new providers, and a potential lack of flexibility.
- Opportunities for new Frameworks include AVC providers, financial advice, tax and advice on McCloud. There may also be opportunities for Frameworks for other Public Service bodies such as police and fire.
- Pippa and Leon will take all of these ideas to the next LGPS Framework AGM in late November

2. The LGPS Pensions Tax Experience (Jayne Wiberg & Rachel Abbey)

This workshop discussed the challenges of the current regime for both members and Funds

- For Funds, the main issues were around member expectation and Officer knowledge and resources – alongside the complexity of the current regime.
- For members, lack of good quality advice was an issue along with a lack of understanding and awareness.
- A number of changes were suggested by delegates at the workshop, which the LGA are willing to take further and will raise at their next technical meeting. Around 50% of delegates felt that tax was as important as other priorities such as data and McCloud.

3. Data - Ask the Panel: (Bob Holloway: LGA, Lisa Lyon: TPS, Matt Dodds: ITM, David Rich: Accurate Data Services)

The workshop acknowledged that there is no one answer to data issues, but there are some top tips for helping to combat problems:

- Know your data – including how reliable and complete it is.
- Develop a data improvement plan and keep that plan under review.
- Consider the type of communications issued to different member groups (different age groups of deferred members for example may respond better to varying methods of communication)

4. Automation Here and Now: (Catherine Chester: Civica, Chris Pickford: Essex Pension Fund)

This workshop discussed different ways to automate and included a case study on the Essex Pension Fund who have automated member processes:

- Types of automation include system robotics, workflow, member self-service and Artificial Intelligence
- The majority of delegates believed that 75% of member processes could be automated, including the full retirement process (most delegates believing it was feasible for LGPS members to retire online)
- The Essex Pension Fund, along with Civica, have developed systems to automate the bulk leaver process and the retire online process for deferred members. There have been significant time and cost savings from these processes, and there are undoubtedly more ways that automation could help in other areas.

5. SAB Good Governance Review: (Ian Colvin: Hymans Robertson)

This workshop looked at the latest report from the Good Governance project and focussed on feedback and thoughts from delegates on three of the main recommendations made – knowledge, skills and training; Service standards; and Independent Governance Reviews (IGR's)

- Delegates felt that any knowledge & skills requirements should cover a wide range of individuals and groups, maybe even employers. Any requirements need to be practical and timely, possibly linking into the business cycle. They must also acknowledge the fact that it is a significant time commitment to both gain and maintain knowledge.
- Comments on the recommendations of a set of KPI's mainly surrounded what these should be and that 'turnaround time' KPI's may not be the best or only way of measuring the level of service delivered.
- In terms of the IGR, delegates felt the biennial timescale to be about right and gave Funds time to make any improvements between each review. Thought needs to be given around the process for dealing with Funds who don't meet the required standard and how this may link to tPR's monitoring regime.

6. Best practice in LGPS – Defining a Wishlist: (Simon Taylor: West Midlands Pension Fund)

The final workshop looked at what best practice should look like in the LGPS and discussed this in the context of the 4 tPR themes of communication, data, risk and knowledge and skills. We were treated to a game of family fortunes to identify the top 6 in a LGPS Pensions Managers 'wish list' of best practice.

- Delegates felt that face-to-face communication really stood out as an area of very high standard in the LGPS. Another key theme was around the transition to monthly employer submissions and the need for good quality data. On risk, delegates felt that best practice is shown when risk management is integrated with the running of the Fund and having clear ownership.
- The top 6 included data quality, resourcing and recruitment, monthly submissions and process automation.

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Conference highlights

Local Authority Pension Fund Forum (LAPFF) – Conference 2019, Bournemouth

The 24th annual LAPFF conference took place over 4 to 6 December with the overarching theme of Corporate Resilience: Challenges to Shareowners.

Day 1

Welcome to the conference

Doug McMurdo, Chair of the LAPFF, provided the initial introductions to the conference and the programme of events.

Update on the Investor Tailing Dams Initiative

Adam Matthews (Church of England), Monica Dos Santos & Marcela Rodrigues (Community representatives), Leticia Aleixo & Julia Neiva (Business and HR Resource Centre), Estel Blay (Catapult): Moderator – Rob Chapman

- Adam discussed the engagement activity in relation to mining companies in South America and the failures of tailing dams which had caused the deaths of hundreds of people
- A number of investor interventions have been progressed including a push for a new global standard, greater disclosure requirements, the need for a global database, better and more consistent company reporting and finally the need to align insurers and investors on the proposed interventions
- Monica and Marcela gave emotive accounts of their experiences and the horrific impact of the dam collapses in Bermadinho and Samarco and tragic loss of life
- Marcela highlighted the issue of mental health in the communities including those of her own family. This included the minimal access to psychiatric help which is controlled by the mining companies
- Estel discussed the ability for satellite-based technology to help monitor and manage tailings dams

Controlling food waste and plastic in production and packaging

Mark Little & Tony McElroy (Tesco): Moderator – Glyn Caron

- Mark discussed the work Tesco are doing under their Little Help plan to reduce food waste
- 1/3 of all food produced is currently wasted while 1 in 9 people in the world go hungry
- Tesco have sent no food to landfill since 2009 and want to help halve global food waste by 2030
- Tony discussed their customer focussed ethos and steps taken to reduce plastic and packing waste
- He discussed their 4 R's approach – remove, reduce, reuse and recycle

- Tesco expect to have 1bn less items of plastic going through stores in 2020

LAPFF Engagement Round-up 2019

Aaron Brenner (UFCW), Rob Chapman & John Gray (LAPFF Executive): Moderator - Doug McMurdo

- Aaron gave a case study on Amazon and the risks and concerns for investors
- Motions raised by investors are increasing and getting a greater share of the (non Jeff Bezos) votes
- Investors can help by supporting shareholder resolutions, meeting stakeholders and affected workers and through direct engagement
- Rob discussed LAPFF's engagements with housing companies and the work of Climate Action 100+
- John provided first-hand experience from recent engagements. Some positive movement with RyanAir with a change of position on board independence and recognition of unions. Sports Direct is not as positive; concerns over auditors not signing accounts, family members in key senior roles and going back on a proposal to have John take an observer role at the next Board meeting.

Day 2

National Grid's net zero commitment

Sir Peter Gershon (National Grid): Moderator – Rodney Barton

- Sir Peter outlined the work National Grid are doing to transition to net zero by 2050
- The UK has reduced emissions by 44% since 1990 but a significant change in the energy system is required, including: acceleration of electrification, heat decarbonisation pathways (80% still use gas for heat), carbon capture technology, and clean transport and energy transition
- More investment is needed in infrastructure and the skills to develop these solutions

Just transition

Nick Robins (LSE), Chris Huhne (Engaged Tracking): Moderator – Tom Harrington

- Nick spoke about energy transition and the need for investors to help drive support for climate action
- The Just Transition statement sets out the need to adopt sustainable development goals in an integrated way and the impact on workers, communities and citizens
- Transition pathways should include social metrics with investors taking action to drive thinking on investment strategy, corporate engagement, capital allocations and policy advocacy.
- Chris discussed the difficulty in carbon pricing and the sequence of policy reforms required to transition
- Key messages were that total carbon risk matters, there is greater evidence of positive returns from green investing and there is more regulatory pressure that will help drive this

Informed not inflamed: a realistic approach to the energy transition

Cllr Barney Crockett (Aberdeen), Kingsmill Bond (Carbon Tracker), Murray Worthy (Global Witness): Moderator – Tauqueer Malik

- Cllr Crockett's discussed his experiences in Aberdeen and the challenges in engaging with oil and gas companies; many are state owned and some are moving from public to private equity ownership
- He noted the reduced costs in renewables is helping to drive change but commitment to carbon capture is required to help achieve targets
- Kingsmill touched on the shifts we have seen in the costs of renewable energy in the last 5 years; it is often the most economical option with emerging economies leapfrogging developed nations in its use.

- Policy action is speeding up the shift to renewables; projections suggest fossil fuel demand will peak in 2020s
- Investors should be wary that many incumbents are still in denial

Employees on the Board

Martin Gilbert (Aberdeen Standard): Moderator – Cllr Barney Crockett

- Martin discussed employee board representation with Cllr Crockett and the audience
- Provided some background on FirstGroup and the importance of having employees on the board
- Viewed the employee role as working with the other non-executive directors to help engage with management
- Noted that these are challenges for employee board reps around working relationships with colleagues maintaining the balance between company and independent representation

Cyber Security/social media abuse

Seyi Akiwowo (Glitch), Chandni Vaghela (Home Office): Moderator – Rachel Brothwood

- Seyi discussed the importance of digital self-care and self-defence and the work of Glitch in trying to help combat online abuse
- Highlighted the roles that technology companies can play in preventing on-line abuse and the lack of awareness on reporting abuse and the policies of these companies in dealing with reports
- Chandni discussed the rise of internet usage - 3bn people now on-line around ¼ of whom are children
- Gave a frank account of the increase in child sexual exploitation and implications for this as more developing countries gain internet access - 53% of abuse material being of children under the age of 10
- Discussed the role of organisations such as the Internet Watch Foundation

Media Standards

Dan Evans (former journalist at Trinity Mirror): Moderator – John Gray

- Dan discussed the phone hacking scandal and the culture and working practices of tabloid newspapers throughout the period to 2011.
- Explained the nature of the legal proceedings and his views on the way in which newspapers were able to control the flow and access to information
- He referred to the recent actions of Harry and Meghan which he believes will drive further investigations and change in the industry

Day 3

Gender Diversity Panel

Deborah Gilshan (100% Club), Claire Payn (30% Club), Nisha Long (Citywire): Moderator – Yvonne Johnson

- There has been significant progress in working towards gender diversity at board level at FTSE 100 companies, but progress is still slow in the FTSE 250 and beyond
- The use of aspirational targets (not quotas) has been effective.
- In the investment community the problem is more acute with a very small number of female investment managers who tend to look after smaller portfolios of niche asset classes

Arcelor Mittal: the journey towards carbon neutrality

Alan Knight (Arcelor Mittal): Moderator – Rob Chapman

- Steel is in practically everything and already has a better track record in carbon than many other metals. However, the process of making steel is carbon intensive
- One of the main features of steel is that it is highly reusable, but recycling steel is not sufficient to meet demand and likely never will be
- Arcelor Mittal is experimenting with the likes of carbon capture (where the carbon is distilled into ethanol to make plastic or jet fuel) and using waste wood/plastic/hydrogen in place of coal
- There is a significant cost to moving to less efficient methods. They compete against companies not making these changes so they may find themselves uncompetitive; policymakers need to embrace change.
- The industry is trying to build a 'Responsible Steel' hallmark to encourage companies to purchase steel made in a more environmentally friendly way to encourage the entire industry to clean itself up.

Other conference sessions

No delegates were available to attend these sessions