



County Offices
Newland
Lincoln
LN1 1YL

3 January 2024

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 11 January 2024 in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL at 10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink that reads 'Debbie Barnes'.

Debbie Barnes OBE
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 4 Co-Opted Members)

Councillors E W Strenziel (Chairman), P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney, P M Dilks and T J N Smith

Co-Opted Members

Steve Larter, Small Scheduled Bodies Representative
P Key, District Councils Representative
Tom Hotchin, Academy Sector Representative
Jo Balchin, Scheme Member Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 11 JANUARY 2024**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting held on 14 December 2023	5 - 8
4	Report by the Independent Chair of the Lincolnshire Local Pension Board <i>(To receive a report from Roger Buttery, Independent Chair of the Lincolnshire Local Pension Board, which updates the Pensions Committee on the work of the Pension Board during the last few months)</i>	9 - 12
5	Pension Fund Update Report <i>(To receive a report from Jo Kempton, Head of Pensions, which updates the Committee on Fund matters for the quarter ending 30 September 2023)</i>	13 - 58
6	Pensions Administration Report <i>(To receive a report from Matt Mott, West Yorkshire Pension Fund, which updates the Committee on current administration issues)</i>	59 - 94
7	Data Quality Report <i>(To receive a report from Matt Mott, West Yorkshire Pension Fund, which updates the Committee on the data quality scores for Lincolnshire Pension Fund which are reported to The Pensions Regulator each year in November)</i>	95 - 110
8	Annual Employer Activity and Monitoring Report <i>(To receive a report from Claire Machej, Accounting, Investments and Governance Manager, which provides the Committee with information on employer activity and compliance with the regulations over the last year)</i>	111 - 130
9	Annual Report and Accounts 2022/23: The External Auditor's Audit Completion Report <i>(To receive a report from Claire Machej, Accounting, Investments and Governance Manager, which brings to the Committee the Audit Completion Report from Mazars, the Fund's External Auditor, on the 2022/23 audit of the financial statements)</i>	131 - 168
10	DLUHC Pooling Consultation and Transition Plan Report <i>(To receive a report from Jo Kempton, Head of Pensions, which brings to the Committee DLUHC's response to their pooling consultation and sets out how the Fund intends to address the requirements set out)</i>	169 - 174

11 CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100 (A)(4) of the Local Government Act 1972, the following agenda items have not been circulated to the press and public on the grounds that they are considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of these items of business.

12 Border to Coast Funding Model Changes 175 - 244
(To receive an exempt report from Jo Kempton, Head of Pensions)

13 Training: the impact of climate risk on Pension Funds 245 - 252
(To receive an exempt report from Claire Machej, Accounting, Investments and Governance Manager)

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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for Pensions Committee on Thursday, 11th January, 2024, 10.00 am \(modern.gov.co.uk\)](#)

All papers for council meetings are available on:
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**PENSIONS COMMITTEE
14 DECEMBER 2023**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, A W Briggs and T J N Smith

Co-Opted Members: Steve Larter (Small Scheduled Bodies Representative), Cllr P Key (District Councils Representative), Tom Hotchin (Academy Sector Representative) and Jo Balchin (Scheme Member Representative)

Officers in attendance:-

Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of pensions), Clair Machej (Accounting, Investments and Governance Manager), Josh Drotleff (Finance Technician), Thomas Crofts (Democratic Services Officer)

Others in attendance:-

David Vickers (Employee Representative – LGPS Pension Board), George Jabbour (Vice Chair – Border to Coast Joint Committee), Iain Campbel (Hymans Robertson), Anthony Petalas (Border to Coast), Jessie Wilson (Border to Coast) and Will Ballard (Border to Coast)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Roger Buttery and Councillors P Ashleigh-Morris and S Bunney.

2 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan declared an interest as a pensioner member of the Pension Fund.

Councillor P Key (District Councils Representative) declared an interest as a pensioner member of the Pension Fund.

Steve Larter (Small Scheduled Bodies Representative) declared an interest as an active and deferred member of the Pension Fund.

Jo Balchin (Scheme Member Representative) declared an interest as an active member of the Pension Fund.

Tom Hotchin (Academy Sector Representative) declared an interest as an active member of the Pension Fund.

3 MINUTES OF THE PREVIOUS MEETING HELD ON 12 OCTOBER 2023

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PENSIONS COMMITTEE
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RESOLVED

That the minutes of the meeting held on 12 October 2023 be approved as a correct record and signed by Chairman.

4 RESPONSIBLE INVESTMENT UPDATE REPORT

Consideration was given to a report presented by the Accounting, Investment and Governance Manager which provided the Committee with an update on Responsible Investment activity during the second quarter of the financial year 2023/24. Attention was drawn to the investing and voting activity of Border to Coast Pensions Partnership and the outcomes achieved through the LAPFF Engagement.

The Committee noted the report and were satisfied with the content.

RESOLVED

That the Responsible Investment activity undertaken during the quarter be noted.

5 BORDER TO COAST RESPONSIBLE INVESTMENT POLICY, CORPORATE GOVERNANCE AND VOTING GUIDELINES AND CLIMATE CHANGE POLICY ANNUAL REVIEW

The Committee received a report from the Head of Pensions, which highlighted the changes to Border to Coast's Responsible Investment (RI) Policy, Corporate Governance and Voting Guidelines, and Climate Change Policy. The following matters were highlighted:

- Changes to the RI and Climate Change policies were outlined.
- The Committee were being asked to consider aligning Lincolnshire Pension Fund's RI Policy and Corporate Governance and Voting Guidelines to those that had now been agreed by Border to Coast as the manager of the pension pool.
- Border to Coast had undergone a rigorous review process, as described in the report, in arriving at the changes made to their policies and guidelines.
- There was an upcoming regulatory requirement for Local Government pension funds to present climate and net zero reporting.
- Barnett Waddingham was due to present a training session to the Committee on climate and net zero reporting next year.

The Committee discussed the report, and the following comments were raised:

- Diversity and climate change considerations for RI were not legal obligations for the Fund at this time but were considered best practice. However, Task Force on Climate-related Financial Disclosures (TCFD) reporting, which was mandated for the private sector, was soon to become a regulatory requirement for Local Government pension funds.

- Considering material environmental, social and governance (ESG) issues ensured that investments prioritised companies that evidenced their sustainability over the long term, therefore reducing the risk to the Fund.

The Committee felt that further evidence was needed to demonstrate the benefits of considering ESG aspects when investing in terms of maximising returns. It was advised that information concerning this matter would be shared with the Committee.

RESOLVED

1. That the Committee consider the proposed Border to Coast Responsible Investment Policy, Corporate Governance and Voting Guidelines, and Climate Change Policy.
2. That the Committee agree to align the Lincolnshire RI Policy and Corporate Governance and Voting Guidelines to Border to Coast's.
3. That information on the benefits of considering ESG aspects when investing in terms of maximising returns be shared with the Committee.

6 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that if they were present they could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972, as amended.

7 MARKET UPDATE REPORT

Consideration was given to an exempt report on which presented a market update to the Committee.

Questions were raised by the Committee and discussed.

RESOLVED

That the exempt report be noted.

8 INVESTMENT UPDATE AND MANAGER PERFORMANCE REPORT

Consideration was given to an exempt report on investment and manager performance.

Questions were raised by the Committee and discussed.

RESOLVED

That the exempt report be noted.

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9 MANAGER PRESENTATION - BORDER TO COAST PENSIONS PARTNERSHIP

Consideration was given to an exempt report which introduced a manager presentation from Border to Coast.

Questions were raised by the Committee and discussed.

RESOLVED

That the exempt report be noted.

The meeting closed at 12.50 pm



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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Report by the Independent Chair of the Lincolnshire Local Pension Board

Summary:

The purpose of this report is:

- A) To update the Pensions Committee on the work of the Pension Board (PB) during the last few months;
- B) For the Pensions Committee to receive assurances gained from the PB's work; and
- C) For the Pensions Committee to consider recommendations from the PB.

Recommendation(s):

That the Committee considers and notes the report.

Background

1. 0OUTCOMES FROM PENSION BOARD MEETING ON 9 NOVEMBER 2023

1.1 The PB met on the 9th November and the main focus was on the following issues:

- a) TPR Checklist Dashboard
- b) Pensions Administration Report
- c) Temporary Bank Accounts
- d) Border to Coast Annual Report & Accounts
- e) Annual Report & Accounts 2021/2022 and 2022/2023

1.2 **TPR Checklist Dashboard** – the PB considers that compliance to the Code as very important in terms of governance and accountability of the pension scheme. A checklist of 99 items covering a number of governance areas was produced in a

traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at the end of June 2023, there were 94 green and 1 not relevant. There were 4 partially compliant – 1 related to knowledge and understanding. From a governance point of view and to keep The Pensions Regulator (TPR) on side, the Board expressed concern regarding the timely completion of training by several members of the Pensions Committee, as the six months training window was soon to pass. The other 3 related to certain aspects which are outside direct control. The Board considered that the compliance to TPR's Code was good.

- 1.3 **Pensions Administration Report** – there was a lengthy discussion on the report from WYPF. There were a number of work types where the KPIs had not been met during the period 1 April to 30 June 2023. The number of “frozen” scheme members (those entitled to a refund) had increased. Issues concerning delayed AVCs had been recognised and were in part due to the calculation of tax allowance thresholds. Further information was requested on the appeals and the Pensions Ombudsman cases. The administration performance will be kept under close review.
- 1.4 **Temporary Bank Accounts** – for a number of years, WYPF has set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who are entitled to a pension scheme benefit be it a refund of contributions or a lump sum/pension) but for whom WYPF has lost contact or who will not claim their benefits. The PB received a report showing the number of temporary bank accounts created by the Fund to hold monies due to beneficiaries in the scheme. There were 26 temporary deposit accounts totalling £41,058 in respect of pensioners and deferred members. The total number of temporary accounts for post 2014 refunds was 598, totalling £91,433.
- 1.5 **Border to Coast Annual Report & Accounts** – there was a very good presentation by representatives from Border to Coast on the Annual Report & Accounts for 2022/2023. The PB raised a number of questions which were satisfactorily answered.
- 1.5 **Annual Report & Accounts 2021/2022 and 2022/2023** – the PB also considered a brief update on the external audit of the Annual Report & Accounts for 2021/2022. I understand that the 2021/2022 Accounts were signed off in November and the 2022/2023 Accounts are expected to be signed off by the end of December, both unqualified. This places Lincolnshire in a very good position and well ahead of most local authorities. For those interested, I can commend reading the House of Commons, Levelling Up, Housing and Communities Committee's report on Financial Reporting and Audit in Local Authorities.

Conclusion

2. ASSURANCES GAINED BY THE BOARD

- 2.1 The PB considered that the compliance to TPR's Code was good but concern was expressed in respect of the timely completion of the training requirements by several members of the Pensions Committee.
- 2.2 The PB was disappointed at the number of missed pensions administration KPIs but acknowledged the pressures on staff and that there had been an improvement from the previous quarter.
- 2.3 In relation to the temporary bank accounts for pensioners and deferred members, the PB is keen for the WYPF to make further efforts to ensure that pension entitlements are paid to the beneficiaries.
- 2.4 The PB had no issues over the Annual Report & Accounts for Border to Coast.
- 2.5 The PB is pleased that the Annual Report & Accounts for 2021/2022 have at last been signed off, albeit very late through circumstances outside the Lincolnshire Pension's Team control.
- 2.6 The PB is similarly delighted that the Report & Accounts for 2022/2023 are expected to be signed off by the end of December.

Roger Buttery
Independent Chairman

December 2023

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

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 Roger Buttery, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.



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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Pension Fund Update Report

Summary:

This report updates the Committee on Fund matters for the quarter ending 30 September 2023 and any other current issues.

The report covers:

1. Funding and Performance Update
2. TPR Checklist Dashboard and Code of Practice
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Budget and Workplan Update
7. TPR Annual Survey Results 2022/23
8. Independent Advisor
9. Conference and Training Attendance

Recommendation(s):

That the Committee:

- 1) consider and discuss the report and agree whether any action or additional information is required; and
- 2) discuss their requirements for independent advice, and whether this should be postponed until the outcome of the Good Governance Review is published and guidance from that can be considered.

Background

1. Funding and Performance Update

- 1.1 Over the period covered by this report, the value of the Fund's invested assets increased by £55.0m (+1.8%) to £3,121.0m on 30 September 2023.

Asset Allocation

1.2 Appendix A shows the Fund's distribution as at 30 September. At an asset class level, property is below its tolerance level. Funds being committed to the Border to Coast Global Property Fund will help rebalance this underweight, but this will take a period of time. Cash is overweight, as this is being used to fund expected drawdowns in property and infrastructure investments.

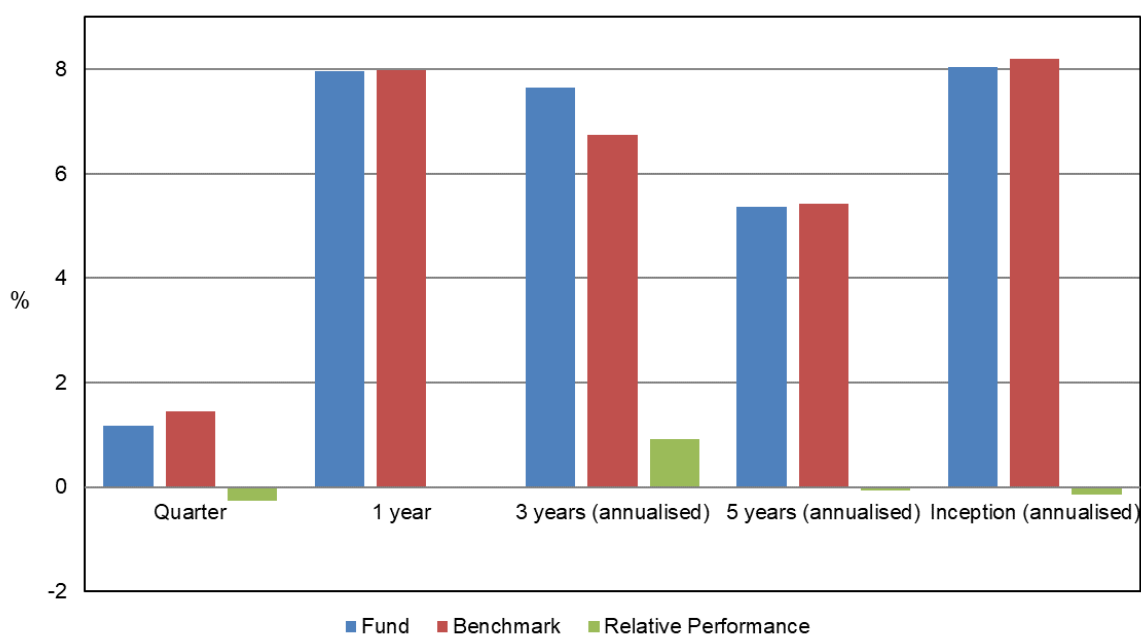
1.5 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q3 2023 £m	Q2 2023 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	442.8	436.2	14.3	15.0	(0.7)
Global Equities	1,237.6	1,244.8	39.7	40.0	(0.3)
Alternatives	780.0	738.6	25.2	22.5	2.7
Property	233.9	232.5	7.5	10.0	(2.5)
Fixed Interest	356.8	334.2	11.5	11.5	0.0
Cash	56.1	79.8	1.8	1.0	0.8
Total *	3,121.0	3,066.0	100.0	100.0	

(* Excludes transactional cash and Border to Coast shareholding)

Fund Performance

1.6 The graph and table below show the Fund's performance against the benchmark over the quarter, one year, three years, five years and since inception. The Fund has a target to outperform the strategic benchmark by 0.75% per annum.



	Fund %	Benchmark %	Relative Performance %
Quarter	1.18	1.45	(0.27)
1 year	7.96	7.98	(0.02)
3 years*	7.65	6.74	0.91
5 years*	5.36	5.42	(0.06)
Inception**	8.04	8.19	(0.15)

*Annualised from 3yrs. **Since Inception figures are from March 1987

1.7 Over the quarter, the Fund produced a positive return of 1.18% (as measured by Northern Trust) but underperformed the benchmark by (0.27%). The Fund was also slightly behind the benchmark over the one year, 5 years and since inception periods, but was ahead on the three years period. Details of individual managers' performance are covered at the Investment and Responsible Investment meetings of the Pensions Committee.

1.8 Appendix B shows the market returns over the three and twelve months to 30 September 2023.

Funding Level

1.9 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31 March 2022, to the current quarter end, 30 September 2023. The accuracy of this type of funding update will decline over time, as the period since the last valuation increases. This is because the funding update does not allow for changes in individual members' data since the last valuation. It is, however, a useful tool to assist the Committee to identify whether the time is right to reduce the overall risk in the asset allocation of the Fund, as it approaches a higher funding level.

1.10 The latest funding update from Barnett Waddingham (BW) is attached at appendix C. This report details:

- the roll forward method used;
- the assumptions, both now and at the last valuation; and
- the results.

1.11 Further to the change detailed in the September Fund Update report to this Committee, another change has been made to the Actuary's funding model. This change is to allow for the impact of known inflation on a monthly basis (up to the valuation date), according to the latest ONS CPI inflation figures. BW's long-term CPI inflation assumption would therefore be a combination of known monthly CPI inflation up to the date it is available, and assumed CPI inflation thereafter.

1.12 This change has been implemented as the default approach following experiences with auditors this year, both for the accounting work to incorporate known inflation up to the accounting date, and following the same approach for funding work. Given that it is known what actual inflation has been since the previous September to a

recent date, allowing for the latest available information up to the effective date of the work will lead to a more accurate valuation of the liabilities. The impact of this change can be seen in the BW Funding Update report attached, at appendix 2, where the observed inflation has reduced the funding level by £285m.

- 1.13 Over the period 31 March 2022 to 31 March 2023 the funding level, in real money, has fallen from an £18m surplus to a £201m deficit, reflecting the outcome of the changed approach. Since the valuation, contributions and transfers have been slightly greater than the accrual of new benefits, but investment returns and inflation impacts have been negative. The funding level has moved from 101% to 94%.

2. TPR Checklist Dashboard and Code of Practice

- 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 D. 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 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

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

Amber – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion certificate to the Head of Pensions. However, there has been some turnover of members on the Committee who all have a period of six months to complete their training. Two members were due to have completed it before December but certificates have yet to be received and there are two new members who have until May 2024.

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. 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 – Training is a standing agenda item and opportunities are shared with the Pension Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.

3. Breaches Reporting - update

3.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regulator. The Breaches Register attached at appendix E shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – there have been some late employers over the quarter, but nothing of significance that requires reporting to TPR. A separate paper is at agenda item 8 of this meeting covering this and other employer monitoring.

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 Committee each October to be approved. There has been one risk added to the register, at I6, relating to the outcome of the Governments asset pooling consultation.

Risk Description	Current Risk Score	Target Risk Score	Assurance Status	Assurance Direction of Travel	Actions	Notes / Comments
<p>Governments direction of investment pooling creates inefficiencies due to:</p> <ul style="list-style-type: none"> imposed timescale of pooling assets forced pool or fund mergers requirements to invest in specific asset classes or to meet specific government policies distraction from the funds objectives 			Substantial		<p>Existing</p> <ul style="list-style-type: none"> fiduciary duty and role of Committee regular meeting across all levels with Border to Coast and Partner Funds <p>New & Developing</p> <ul style="list-style-type: none"> plan of how to manage potential new funds to Border to Coast, merger proposals etc. clear transition plan with appropriate timescales and justifications for assets not pooled 	<p>LPF has already pooled the majority of its listed assets, with work underway for the options for the remaining listed assets, property transition planned and discussions with Border to Coast on private market options. Meetings have already been held to discuss the outcome of the consultation and work is underway to ensure that Border to Coast and Partner Funds are prepared for all eventualities.</p>

4.2 More detail on the consultation outcome is at item 10 on this agenda.

5. Asset Pooling Update

Sub Funds

- 5.1 Work has continued with the development of the real estate funds, with the next transition for Lincolnshire expected to be into the Core Global Property fund, which launched in December. This transition will be managed over a period of time, as cash is invested and redemptions are received from existing overseas property funds.
- 5.2 Since the last Committee meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, UK opportunities, responsible investment and the pooling consultation.

Joint Committee Meetings

- 5.3 The last Joint Committee was held on Tuesday 28 November 2023 and papers were shared with the Committee. The agenda items were:
- Joint Committee Budget
 - Joint Committee Effectiveness Review
 - Responsible Investment Policies Annual Review 2023
 - Responsible Investment Update
 - Summary of Investment Performance and Market Returns
 - Development of Investment Capabilities
 - Alternatives 2024
 - CEO Report
 - Investment Review Quarter Ended 30 September 2023
- 5.4 The next meeting of the Joint Committee is being held on 26 March and papers will be shared with this Committee once they become available. Any questions or

comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the meeting.

Shareholder Matters

- 5.5 As the Committee 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 recently updated following review and approved by Full Council in February 2023.
- 5.6 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.
- 5.7 There were no shareholder resolutions since the last Committee meeting.

6 Budget and Workplan Update

- 6.1 The Pension Fund budget and business plan were brought to the Committee at the March 2023 meeting. The paragraphs below update the Committee on the budget position to 30 September, and to highlight any areas on the key tasks from the business plan for 2023/24 where progress is behind expectations.
- 6.2 The budget for operating the Lincolnshire Pension Fund for 2023/24 plus actual costs incurred up to the end of September 2023 are set out in the table below, with additional narrative at 6.3:

	Budget 2023/24 £'000	Profiled Budget Q2 £'000	Actuals Q2 £'000	Variance Q2 £'000
<u>Administration Costs</u>				
- Charge from Shared Services Administrator	1,430	1,430	1,560	130
- Other (*1)	1	0.50	-1	-2
<u>Investment Management Expenses</u>				
- Management Fees	10,200	1,000	187	-813
- Performance Related Fees	1,500	0	0	0
- Other Fees (*2)	840	60	-2	-62
<u>Oversight and Governance Costs</u>				
- Contracted Services	349	50	100	50
- Recharge of Actuarial Services	-102	-15	-35	-20
- Recharge from Administering Authority	295	130	139	9
- Border to Coast Governance Costs	320	315	0	-315
- Other Costs (*3)	21	8	14	6
	14,854	2,979	1,962	-1,017

6.3 **Administration Costs:** The annual administration charge from West Pension Fund has been received and paid. The actual cost is higher than the budget, as the number of members was higher than originally forecast.

Investment Management Costs: Most of the Fund's investments are made via pooled vehicles. The costs for these investments are mainly accounted for annually in March from the sector wide Cost Transparency Initiative, where investment managers provide information on indirect costs deducted from investments at source. For directly charged fees billing from managers is in arrears. Costs for the first six months of the year were not billed by the end of quarter two.

Costs incurred on management fees reflect the size of the portfolio and investment returns. Costs in this area are very difficult to predict, particularly when markets and volatile.

Oversight and Governance Costs: Contracted services, the recharge of actuarial services and the recharge from the admin authority are spread throughout the financial year. It is expected that these budgets will be fully utilised by year end. The Border to Coast governance charge was received and paid at the beginning of quarter three.

Pension Fund Business Plan Update

6.4 The key tasks set out in the Business Plan are set out below, with narrative to explain whether it is on track or otherwise:

Subject	2023/24 Actions	Progress
Pensions Committee and Board meetings	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and, or Board. Induction and training for any new Committee or Board members to be arranged at the earliest opportunity.	On-going – all meetings held as expected. Five new Committee members and one Board over the period. Four mandatory TPR training outstanding.
Asset Pooling with Border to Coast	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company. Expected investment into Overseas Property sub-fund (Quarter 2 or 3) and further development of the UK property.	On-going. Overseas Property launched December. Government consultation on asset pooling has created new challenges.
Administration Service (including employer data quality)	Continued partnership and oversight of West Yorkshire Pension Fund (WYPF) in the delivery of the administration service and to improve the reporting on data quality and management information. Working with WYPF to improve and clearly document the governance structure of the shared service. Undertake the required actions to meet the recommendation taken to the March Pensions Committee on the administration provider.	On-going – generally a good administration service provided. Work progressing on the reporting. Update of the shared service agreement is underway.
Annual Report and Accounting	A detailed project plan has been put in place, built on experience from previous years and updated for new requirements.	Delayed receipt of opinion for 21/22 due to issues with the Council's

	<p>On-going engagement with the external auditors to ensure all requirements can be met in a timely manner.</p>	<p>accounts, finally received in November 2023.</p> <p>22/23 Pension Fund accounts still awaiting an opinion, alongside the Council's accounts, with an expected unqualified opinion to be received.</p> <p>Work underway with the new external auditor for 23/24 accounts (KPMG) to minimise the issues experienced with the current auditor (Mazars).</p>
Responsible Investment (RI)	<p>Continued information and training for the Committee to understand RI. Working with external managers and Border to Coast to ensure that it is embedded across all investment decisions.</p> <p>Ensure the investment strategy reflects the RI beliefs. Consider and develop climate change policy and any net zero target.</p> <p>Respond to the requirements from the Climate Reporting consultation once the guidelines are published.</p>	<p>On-going – improved stewardship reporting, close working with Border to Coast and Stewardship Code Statement submitted for 22/23 and awaiting FRC approval.</p> <p>To begin developing the climate change policy and net zero discussions in 2024.</p> <p>Still awaiting DLUHC's response from the Climate Reporting consultation.</p>
Work by the Scheme Advisory Board (SAB)	<p>Participate in projects were possible and respond to any actions required – e.g. Good Governance Review, data quality.</p> <p>Undertake a high-level governance review in Summer 2022 to identify potential gaps against the Good Governance proposed recommendations.</p>	<p>Progress delayed due to other priorities in SAB.</p> <p>Still awaiting Good Governance guidance from DLUHC.</p> <p>High level review undertaken, awaiting final guidance to do full review and take recommendations to Committee.</p>

Employer Accounting	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary and accounting reports are received and understood by employers.	On-going – all reports issued as required to date.
Staffing and Structure Review	To successfully recruit to the two new career graded Principal Investment, Accounting and Governance Officer posts and integrate them into the team.	Recruitment partially successful. Appointed to one post. To wait a further 12-18 months to go out to advert again for the second post.
Independent Advisor Review	The Committee will review their requirements for independent advice, having considered the Good Governance Review, and appropriate action will be taken to meet those needs.	Recommendation to discuss requirements once the Good Governance Review outcome has been published.
Custodian Tender	Officers will undertake a call-off from the National Framework for Custody Services and recommend an appointment at the December Pensions Committee.	12 months extension granted with current custodian and search postponed to 2024 due to resource issues.

6.5 As can be seen from the table above, work plans have been impacted by delays from DLUHC, external audit issues and resourcing in the team. It is expected that the external audit work going forwards will improve and the resourcing issues are being addressed.

7 TPR Annual Survey Results 2022/23

7.1 The Fund participates in the annual TPR survey on administration and governance across the public service pension schemes. The primary objective of the survey was to track governance and administration practices among public service pension schemes, including the approach to risk management, annual benefit statements and breaches of the law. As in the previous year's survey, the questionnaire also covered schemes' awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate-related risks and opportunities. In addition, the 2022-23 survey also included new questions on data

management plans, investment in data management and technology, TPR codes of practice and guidance, TPR's new-look enforcement policy and pension board diversity.

7.2 The survey was conducted online between January and March 2023, and for Lincolnshire responses were completed by the Chair of the Local Pension Board, with input from WYPF where required. It was completed by representatives from 191 of the 204 public service pension schemes (94%), and these schemes accounted for 99% of all memberships. The Executive Summary of the survey results is attached at appendix F. Key highlights relating to the LGPS were:

- the top risk for LGPS funds is cyber risk (51%); up from 23% in 2020/21 and much higher than other PSPSs (second highest is the Police schemes at 22%),
- 60% of LGPS funds indicate that recruitment, training and retention of staff knowledge is a barrier to improving governance and administration (up from 29% in 2021). This is higher than for all other PSPSs (second highest was Police schemes at 42%). It is also the second highest governance and administration risk for LGPS funds (49% in 2023; up from 22% in 2021).
- the challenges of the LGPS's multi-employer structure are evident from the findings, with only 8% of LGPS funds having monthly data submitted by all employers on time and accurately (these figures are much higher for Police schemes (71%) and Firefighters schemes (67%)). 36% of LGPS funds suggest employer compliance is a barrier to improving governance and administration.
- LGPS funds focus on improving service to members, with LGPS funds most likely (72%) to have increased investment in administration technology/automation over the last two years. In addition, 95% of LGPS funds said they did this to deliver improved service to members.

8 Independent Advisor

8.1 The Committee's Independent Investment Adviser, Peter Jones, retired from the Fund in March 2023. Since that date, additional advice and information has been provided by the Fund's Investment Consultant, Hymans Robertson, who attend all investment and stewardship Committee meetings.

8.2 The Fund is awaiting the publication of the Good Governance Guidance which will set out what funds should be doing to ensure they meet the requirements set by DLUHC and the Scheme Advisory Board in managing the scheme. This will provide direction on the types of advice a fund should consider, amongst other areas.

8.3 The Committee are asked to discuss if they want additional independent advice, what type of advice they require, whether they wish to begin the appointment process now

or whether they would rather await the guidance from DLUHC to fully assess and future-proof their requirements.

9 Conference and Training Attendance

9.1 It is stated in the Committee's Training Policy, approved each July, that following attendance (virtual or otherwise) at any conferences, seminars, webinars or external training events, members of the Committee and officers will share their thoughts on the event, including whether they recommend it for others to attend.

9.2 There have been three conferences since the last meeting:

- The Room 151 LGPS Investment Forum was held on 8 and covered a wide range of investment-related issues for Local Government Pension Scheme funds, including asset allocation, investing in sustainable infrastructure and inflation & interest rates. Conference notes produced by Hymans Robertson are attached at appendix G.
- The LGPS Pensions Managers' Conference was held in late November and was an opportunity to hear from the new Pensions Ombudsman as well as hearing from officers on how they are coping with challenges such as recruitment and retention, communication and managing expanding workloads. Conference notes produced by Hymans Robertson are attached at appendix H.
- The LAPFF Annual Conference was held in Bournemouth in December and attended by the Chairman and the Head of Pensions. This covered subjects such as managing climate related risk, proxy voting, modern day slavery and executive pay.

9.3 The Committee and officers are requested to share information on relevant events they have participated in since the last Committee meeting.

9.4 Upcoming training opportunities are shared in the weekly and monthly email. Any member wishing to attend or require more information should contact Jon Haw (Jonathan.haw@lincolnshire.gov.uk):

Conclusion

10. The Fund is 94% funded (on a roll-forward basis, following the adjustments mentioned to the Barnet Waddingham funding model) as at the end of September, with an overall value of invested assets of £3,121.0m.

11. There are a number of members who have still to complete TPR's toolkit, as part of the mandatory training agreed by this Committee. Certificates of completion should be forwarded to the Head of Pensions as soon as possible.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Distribution of Investments
Appendix B	Market Returns
Appendix C	BW Funding Update
Appendix D	TPR Checklist Dashboard
Appendix E	Breaches Register
Appendix F	TPR Annual Survey Results
Appendix G	Conference Highlights – Room 151 LGPS Investment Forum
Appendix H	Conference Highlights – Pensions Managers Conference

Background Papers

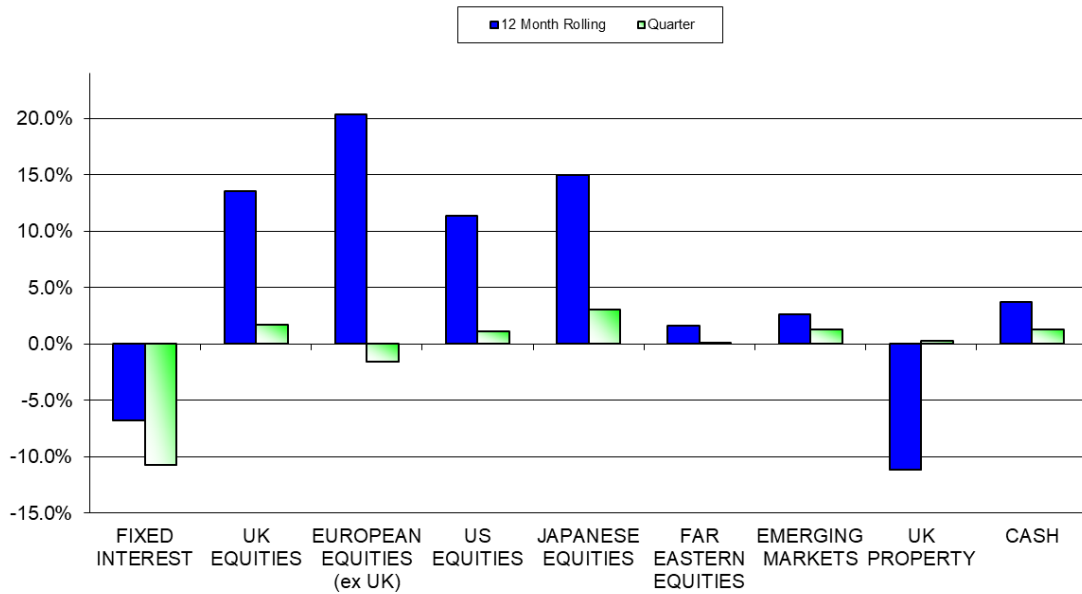
No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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

DISTRIBUTION OF INVESTMENTS

INVESTMENT	30 September 2023			30 June 2023			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
Border to Coast UK Listed Equity	442,805,094	26.4%	14.3%	436,164,261	25.9%	14.2%	15.0%	+/- 2.0%
TOTAL UK EQUITIES	442,805,094		14.3%	436,164,261		14.2%	15.0%	
GLOBAL EQUITIES								
LGIM Future World	462,815,138	27.5%	14.9%	472,510,256	28.1%	15.4%	15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	774,791,167	46.2%	24.8%	772,268,088	46.0%	25.3%	25.0%	+/- 2.5%
TOTAL GLOBAL EQUITIES	1,237,606,305		39.7%	1,244,778,344		40.7%	40.0%	
TOTAL EQUITIES	1,680,411,399	100.0%	54.0%	1,680,942,605	100.0%	54.9%	55.0%	
ALTERNATIVES								
Morgan Stanley Private Markets	493,010,790	63.2%	15.9%	482,868,103	65.4%	15.7%	} 16.5%	+/- 2.5%
Private Equity	5,414,123	0.7%	0.2%	6,492,536	0.9%	0.2%		
Infrastructure	67,889,115	8.7%	2.2%	65,715,516	8.9%	2.1%		
Border to Coast Multi Asset Credit	213,649,432	27.4%	6.9%	183,537,373	24.8%	6.0%	6.0%	+/- 1.0%
TOTAL ALTERNATIVES	779,963,460		25.2%	738,613,528		24.0%	22.5%	+/- 3.0%
PROPERTY	233,889,272		7.5%	232,487,724		7.6%	10.0%	+/- 1.5%
FIXED INTEREST								
Border to Coast Investment Grade Credit	356,759,594	100%	11.5%	334,159,830	100%	10.9%	11.5%	+/- 1.0%
TOTAL FIXED INTEREST	356,759,594	100.0%	11.5%	334,159,830	100.0%	10.9%	11.5%	+/- 1.5%
TOTAL INVESTED CASH	56,145,728		1.8%	79,836,778		2.6%	1.0%	+ 0.5%
TOTAL INVESTED ASSETS	3,107,169,453		100%	3,066,040,465		100%	100.0%	

CHANGES IN MARKET INDICES MARKET RETURNS TO 30 SEPTEMBER 2023



INDEX RETURNS	12 Months to Sept 2023 %	Jul-Sept 2023 %
FIXED INTEREST	-6.8%	-10.8%
UK EQUITIES	13.6%	1.7%
EUROPEAN EQUITIES	20.4%	-1.6%
US EQUITIES	11.4%	1.1%
JAPANESE EQUITIES	15.0%	3.1%
FAR EASTERN EQUITIES	1.6%	0.1%
EMERGING MARKETS	2.6%	1.3%
UK PROPERTY	-11.1%	0.3%
CASH	3.7%	1.27%

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Lincolnshire Pension Fund

Funding update as at 30 September 2023

Background

This schedule is provided to Lincolnshire County Council as administering authority to the Lincolnshire Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 30 September 2023. The results in this schedule should be considered alongside the report on the valuation of the Fund as at 31 March 2022. This schedule has been generated from our online monitoring tool **Illuminate: LGPS Monitor**.

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon for any purpose other than that stated above.

This advice is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations). We have taken account of current LGPS Regulations (as amended) as at the date of this report.

Valuation method, process and assumptions

Roll-forward method

To assess the estimated funding position at 30 September 2023, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2022 have been rolled forward allowing for:
 - Changes in market conditions to 30 September 2023.
 - Cashflows paid to and from the Fund, as provided to 30 September 2023 by the administering authority (estimated thereafter).
 - Changes in CPI inflation to 30 September 2023.

- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 30 September 2023, rolled forward and estimated where necessary.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

Assumptions

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this update it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	30 September 2023	31 March 2022
CPI inflation	2.51% p.a.	2.88% p.a.
Salary increases	3.51% p.a. (CPI plus 1.00% p.a.)	3.88% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.01% p.a. (CPI plus 1.50% p.a.)	4.00% p.a. (CPI plus 1.12% p.a.)

The discount rate assumption is set with reference to the Fund’s long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2022 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is more than at the 31 March 2022 valuation, decreasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2022 and the Funding Strategy Statement, both of which are available on the Fund’s website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	30 September 2023	31 March 2022
CPI inflation	2.56% p.a.	3.02% p.a.
Salary increases	3.56% p.a. (CPI plus 1.00% p.a.)	4.02% p.a. (CPI plus 1.00% p.a.)
Discount rate	4.07% p.a. (CPI plus 1.51% p.a.)	4.01% p.a. (CPI plus 0.99% p.a.)

Results

The table below shows the approximate updated funding position of the Fund as at 30 September 2023. The results of the previous actuarial valuation are also shown for comparison. Charts showing the full funding level progression and an analysis of change since the last valuation date are included in the appendix to this schedule.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	30 September 2023	31 March 2022
Liabilities	£3.286bn	£2.996bn
Assets	£3.085bn	£3.014bn
Surplus / (Deficit)	(£201m)	£18m
Funding level	93.9%	100.6%

The Fund has a funding deficit of £201m at 30 September 2023 relating to a funding level of 93.9%. This compares to a funding surplus of £18m at 31 March 2022, relating to a funding level of 100.6%.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

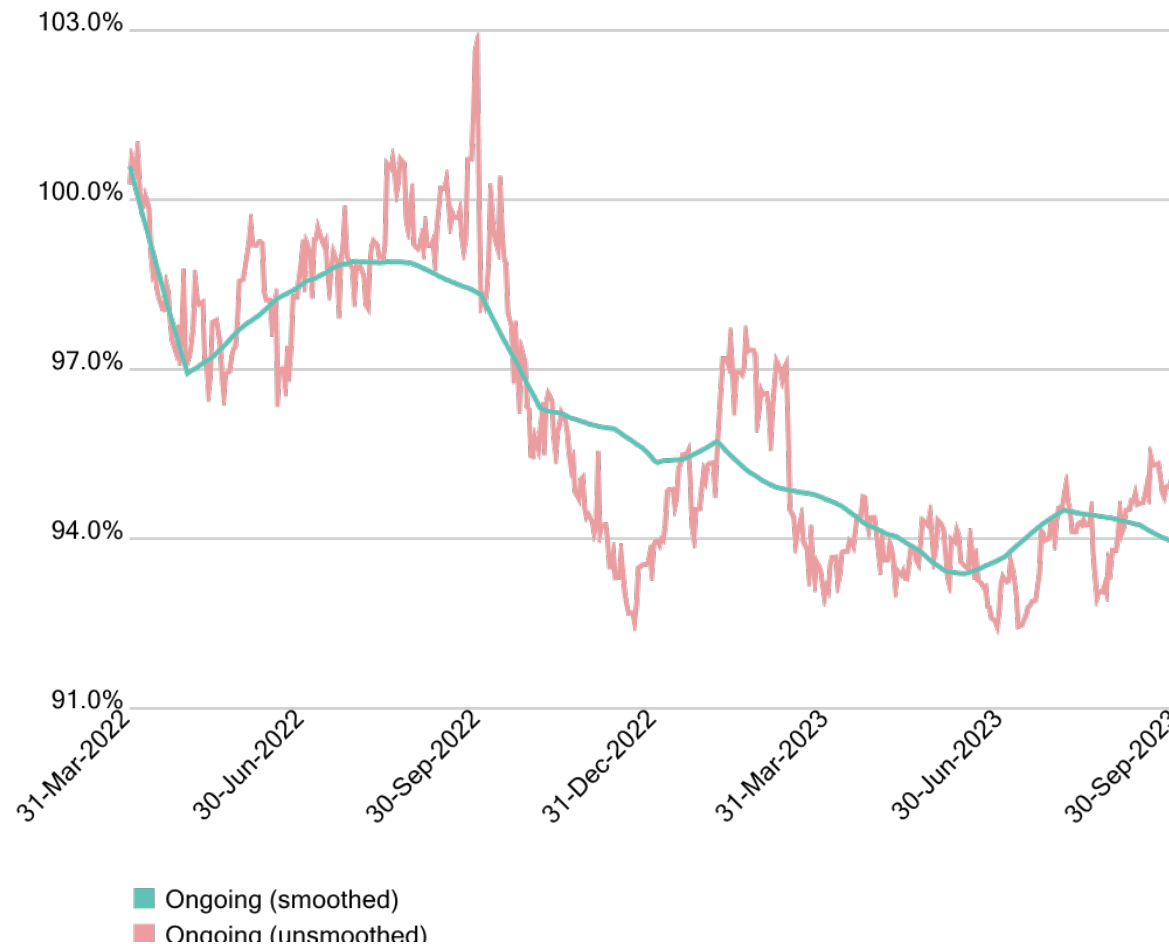
If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

Barnett Waddingham LLP

Appendix 1 Funding level progression

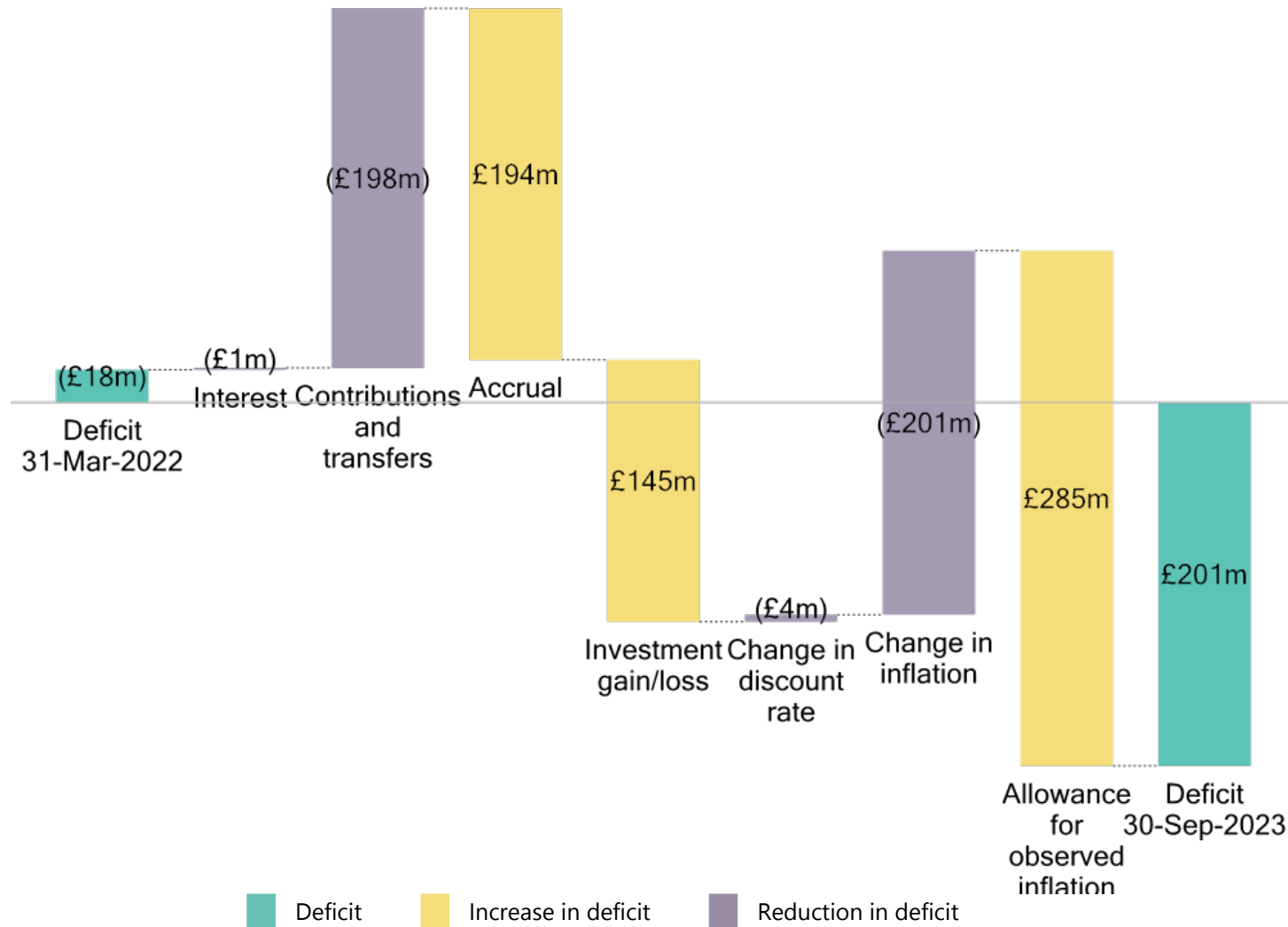
The chart below illustrates the approximate development of the Fund's ongoing funding levels from 31 March 2022 to 30 September 2023. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date.

The chart also illustrates the approximate development of the unsmoothed position over the same time period for comparison.



Appendix 2 Analysis of change

The chart below shows the analysis of the change in the ongoing funding position from 31 March 2022 to 30 September 2023.



The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Lincolnshire Pension Fund 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
Dec 22	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
March 23	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
June 23	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 23	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

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1. Executive summary

1.1 Introduction

This report summarises results from The Pensions Regulator's (TPR's) Public Service Pension Scheme (PSPS) Governance and Administration Survey 2022-23. The survey was undertaken by OMB Research, an independent market research agency, on behalf of TPR.

The primary objective of the survey was to track governance and administration practices among public service pension schemes, including the approach to risk management, annual benefit statements and breaches of the law. As in the previous 2020-21 survey, this year's questionnaire also covered schemes' awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate-related risks and opportunities.

In addition, the 2022-23 survey also included new questions on data management plans, investment in data management and technology, TPR codes of practice and guidance, TPR's new-look enforcement policy and pension board diversity.

The survey was conducted online between January and March 2023. It was completed by representatives from 191 of the 204 public service pension schemes (94%), and these schemes accounted for 99% of all memberships.

1.2 Key processes

Three-quarters of schemes had in place all six of the key processes that TPR monitors as indicators of public service scheme performance. There was increased uptake of three of these processes since the 2020-21 survey.

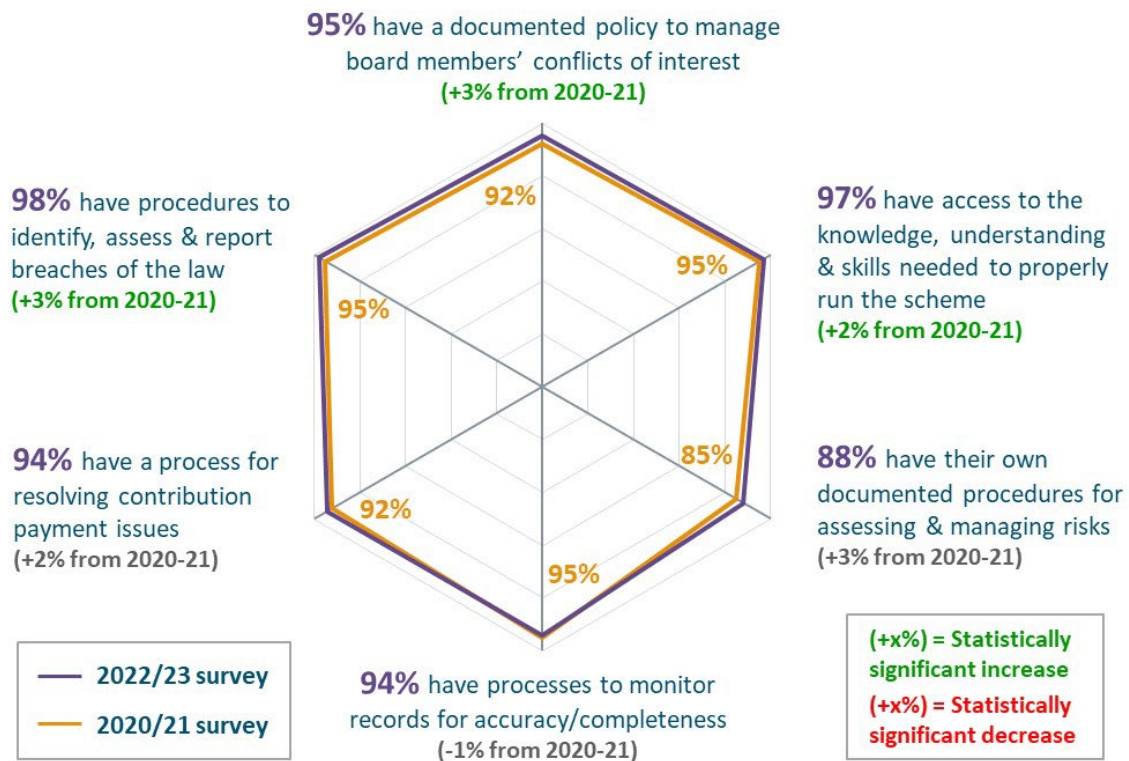
Between 88% and 98% of schemes reported that they had each of these processes in place. There was an increase since 2020-21 in the proportion with a documented policy to monitor board members' conflicts of interest (from 92% to 95%), with access to the knowledge, understanding and skills needed to properly run the scheme (from 95% to 97%) and with procedures to identify, assess and report breaches of the law (from 95% to 98%).

Three-quarters (74%) of schemes had all six of these processes in place, together representing 65% of all memberships. This was similar to 2020-21, when 70% of schemes had all six.

Local Government schemes were most likely to have all six processes in place (81%), followed by Police (73%), Firefighters' (67%) and 'Other'¹ (55%) schemes.

¹ Centrally administered unfunded schemes, i.e. excluding relevant Local Government, Firefighters' and Police schemes.

Figure 1.2.1 Schemes' performance on key processes



[View a table showing all data from the above figure](#)

1.3 Scheme governance

Three-quarters of schemes held four or more pension board meetings in the previous 12 months², an increase from 2020-21.

Schemes held an average (mean) of 3.8 board meetings in the previous 12 months, with 77% reporting that they held four or more (up from 45% in 2020-21). Every 'Other' scheme held at least four board meetings in the previous 12 months, with Firefighters' schemes least likely to have done this (62%).

More schemes had a succession plan for members of the pension board than in the 2020-21 survey (71%, up from 58%).

The vast majority of schemes believed that their pension board and scheme manager had the required knowledge and capabilities, but almost a quarter of members were in a scheme that did not have sufficient time and resources.

Overall, 97% felt that the scheme manager and pension board had access to all the necessary knowledge, understanding and skills, and 93% believed the board had all the information about the operation of the scheme that it needed to fulfil its functions.

² TPR sets an expectation that the governing boards of pension schemes should meet often enough to maintain effective oversight and control, which in most cases will be at least quarterly.

While the majority of schemes also felt that the scheme manager and board had sufficient time and resources (84%), almost a quarter of members (22%) were in a scheme where this was not the case.

1.4 Managing risk

There was evidence of improved risk management, although remediation remained a key challenge.

In comparison to the 2020-21 survey, there was increased use of many risk management processes and procedures. In particular, 97% of schemes had a risk register (up from 89%) and 97% had a process for monitoring the payment of contributions (also up from 89%). In addition, two-thirds had reviewed risk exposure at four or more meetings in the previous 12 months (up from 35% in 2020-21).

While most schemes (87%) had a process in place for dealing with remediation, two-thirds (63%) identified this as one of the top three governance and administration risks facing the scheme. The next most widely identified risks were staff recruitment/retention (43%), cyber risk (34%), record-keeping (32%) and securing compliance with changes in scheme regulations (30%).

1.5 Administration and record-keeping

Administration was typically included on the agenda at pension board meetings, and the majority of schemes had an administration strategy and a formal data management plan.

As in the 2020-21 survey, administration was included on the agenda at 92% of the board meetings held in the previous 12 months. Most schemes (76%) had an administration strategy in place, although this varied by scheme type (ranging from 94% of Local Government to 51% of Firefighters').

Two-thirds (67%) reported that the scheme administrator had a formal data management plan or policy.

Similar to the 2020-21 survey, fewer than four in ten schemes stated that their employers always provided timely and accurate/complete data. However, most employers submitted data electronically.

Overall, 36% of schemes reported that all employers had always provided the required monthly data on time in the last 12 months, and a similar proportion (38%) reported that all employers had always provided accurate and complete data. These proportions were lower for multi-employer schemes (14% in each case) than single employer schemes (78% and 82% respectively).

Two-thirds (66%) of schemes stated that all their employers had submitted all data electronically in the last 12 months, with results broadly similar for single and multi-employer schemes.

The majority of schemes were spending more on managing/improving their data and on administration technology/automation.

Over half (58%) of schemes had increased their budget for managing/improving data in the last two years and three-quarters (78%) had invested more in administration technology/automation in this period. Similar proportions expected this to increase the next two years (68% and 78%).

The primary reasons for increased spend were to prepare for remediation and deliver improved member services.

1.6 Annual benefit statements

Almost all (97%) active members received their annual benefit statement by the statutory deadline in 2022, although four in ten schemes missed the deadline for at least some members.

Schemes reported that the mean percentage of active members who received their annual benefit statement by the deadline was 97%, consistent with the 94% seen in the 2020-21 survey. The proportion of schemes meeting the deadline for all their active members was also unchanged (61% vs. 59% in 2020-21). This proportion was highest for Firefighters' and Police schemes (82% and 73% respectively) but lower for 'Other' (45%) and Local Government (47%) schemes, both of which are primarily multi-employer schemes and typically have a greater number of members than Firefighters' and Police schemes.

Less than a quarter (23%) of those who missed the deadline for any active members reported this to TPR, with 13% making a breach of the law report. The primary reason for not alerting TPR about the missed deadline was that it was not seen as material because few statements were affected (76%).

The mean proportion of annual benefit statements that included all the data required by law was 99%, unchanged from the 2020-21 survey (also 99%).

1.7 Reporting breaches

While processes to document any breaches of the law were widespread, when breaches occurred they were rarely reported to TPR.

As in the 2020-21 survey, the vast majority of schemes maintained documented records of any breaches of the law identified (97%), included the decision on whether or not to report it to TPR in these records (95%), and provided the pension board with reports on any breaches (95%).

Around a third (35%) of schemes had identified any breaches of the law in the previous 12 months (excluding those relating to annual benefit statements), but only a minority (4%) had reported any breaches to TPR. This picture was consistent with that seen in 2020-21.

1.8 Addressing governance and administration issues

Remediation and legislative changes were seen as the top barriers to improving scheme governance and administration.

The most widely mentioned barriers to improving scheme governance and administration were the remediation process (65%) and the volume of changes

required to comply with legislation (58%). This was followed by the complexity of the scheme (45%), staff recruitment, training and retention (42%) and lack of resources or time (35%).

While this picture was broadly similar to that seen in the 2020-21 survey, more schemes identified staff recruitment, training and retention as a key barrier (up from 28% to 42%), but fewer mentioned scheme complexity (down from 62% to 45%).

Improvements to governance and administration over the last 12 months were primarily attributed to a better understanding of the risks facing the scheme.

Approaching three-quarters (71%) of schemes felt that the improvements they had made to governance and administration over the last 12 months were down to improved understanding of the risks facing the scheme (similar to the 2020-21 survey).

The other most widely cited factors were increased/redeployed resources to address risks (61%, up from 42% in 2020-21) and better understanding of the underlying legislation/standards expected by TPR (50%, similar to the 46% seen in 2020-21).

1.9 TPR codes and guidance

Awareness of TPR codes of practice, guidance and the public service toolkit was near universal. Most also knew that TPR would soon introduce a new 'Single Code' (TPR's programme to merge 10 of its existing codes of practice into a single new code, named the General Code).

Overall, 97% of schemes knew that TPR produces codes of practice, 99% knew that it produces guidance and 95% were aware of the public service toolkit. Over half had consulted TPR's codes and guidance in the last six months (59% and 64% respectively), whereas the toolkit was used slightly less regularly (45% in the last 6 months).

Three-quarters (76%) of schemes were aware that TPR would soon introduce a new 'Single Code'. The majority of these believed that the Single Code would improve how their scheme was governed (63%) and make it easier to understand TPR's expectations (62%), although there was also a widespread perception that it would increase the work required by the scheme to meet these expectations (57%).

1.10 TPR enforcement policy

While over half of schemes were aware of the new-look enforcement policy, few knew a lot about it and no schemes had made any changes as a result.

In total, 55% of schemes were aware that TPR had published a new-look enforcement policy, although most described only a limited knowledge of the changes made to this policy (3% knew a lot, 16% a fair amount, 34% a little bit, 47% knew nothing or were unaware).

Most of those who had read the new-look policy felt it was an improvement on the previous policy; 56% agreed that it was easier to use and 61% that it was easier to navigate (with only 3% disagreeing in each case).

At the time of the survey, no schemes reported that they had made any changes as a result of the new-look policy.

1.11 Climate change

Nine in ten Local Government schemes had allocated time or resources to assessing any financial risks and opportunities arising from climate change, and there was evidence of increased climate-related action since 2020-21.

The survey questions on climate change were asked only of Local Government schemes (as these are the only funded public service schemes). Overall, 90% had allocated time or resources to assessing climate change risks/opportunities, consistent with the 2020-21 survey (91%).

In comparison to 2020-21, more schemes had added climate-related risks to their risk register (77%, up from 68%), included and monitored targets in their climate policy (61%, up from 37%), included climate-related issues as a regular agenda item at board meetings (58%, up from 42%) and had assigned responsibility for climate-related issues to a specified individual or sub-committee (50%, up from 37%).

1.12 Pensions dashboards

Awareness of pensions dashboards was near universal, and more schemes knew that they would be required by law to provide data to savers through dashboards.

Overall, 99% of schemes were aware of the dashboards. The vast majority (96%) also knew that schemes would be required by law to provide data to savers, an increase from 88% in the 2020-21 survey.

Over three-quarters (78%) had accessed some form of information from TPR in relation to dashboards. In most cases they had consulted TPR's dashboards guidance (61%) or attended a webinar (53%), although 23% had listened to a podcast and 19% had engaged with other material put out by TPR regarding pensions dashboards.

Perceptions of TPR's dashboards guidance were positive, with 94% describing it as useful.

1.13 Equality, diversity and inclusion

Most schemes did not formally capture diversity data in relation to the members of their pension board.

Fewer than one in ten schemes (9%) formally obtained and recorded any diversity data about pension board members. Where this data was collected it typically covered gender, age, disability, race, religion/belief and sexual orientation (7-8%), but fewer schemes recorded data on the gender identity (4%) or educational attainment (1%) of board members.

The most common reason for not collecting pension board diversity data was that they hadn't thought about doing so (39%). However, a third (31%) indicated that they already consider or assess pension board diversity but don't formally record this.

Conference highlights

Room 151's 4th LGPS Investment Forum (8 November 2023)



Philip Pearson
Head of LGPS Investment



Iain Campbell
Senior Investment Consultant



Steven Law
Partner, Actuarial Public

The annual Room 151 LGPS Investment Forum took place on 8 November. The event was expertly chaired by Aoifinn Devitt and covered a wide range of investment-related issues for Local Government Pension Scheme funds, including asset allocation, investing in sustainable infrastructure and inflation & interest rates.

Chair's opening remarks

Aoifinn Devitt, Moneta

Aoifinn opened the conference by talking about the high levels of volatility in markets, the K-shaped recovery from Covid-19 and the wide-ranging crises being witnessed across the globe at the moment.

Asset allocation – strategic choices and tactical opportunities

Philip Pearson, Hymans Robertson; Laura Coliss, NESPF; Sean Johns, Cornwall County Council

- Philip discussed current issues that are driving asset allocation changes at LGPS funds, noting that some are pulling in different directions. Despite strong funding levels, de-risking opportunities remain relatively limited. Market opportunities include investment grade corporate bonds, factor-based equities and absolute return.
- Laura discussed NESPF's high 2023 valuation funding level. The fund is more likely to cut contribution rates rather than de-risk its investment strategy. Reduced contributions will affect cash flow, and needs considered in future.
- Sean noted the strong funding gains Cornwall has seen recently and that cash flow would soon become a concern to the Fund, causing changes to their strategy such as allocating to investment grade corporate bonds. Contribution rate reductions would likely be considered alongside de-risking.

Investing in sustainable infrastructure – net zero ambitions and novel opportunities

Gianfranco Saladino, Swiss Life Asset Managers; Peter Bachmann, Gresham House; Luke Webster, Greater London Authority; Paul Guillioti, Richmond & Wandsworth Councils

- Gianfranco discussed the importance of decarbonising the transport industry, but noted challenges in this area, such as the large levels of investment required. He provided an example investment in rail infrastructure technology which should reduce the reliance on road transport and emissions.
- Peter explained the challenge of decarbonising, providing the example of agriculture, noting that globally cows produce as many greenhouse gases as Europe, Japan and the US combined. He discussed the benefits of various investments in vertical farming and fibre broadband, including to the local areas.
- Luke discussed the returns offered by sustainable investments. These come from the efficiency improvements that businesses offer, or behavioural factors leading people to use sustainable solutions. Investments that aren't yet economically viable need long-term commitments to achieve this.
- Paul discussed Richmond & Wandsworth's investments in the energy transition, which help the Fund's transition to net zero as well as earning strong returns. Meeting different political views on these issues is challenging, but the benefit these investments offer can be communicated to climate pressure groups.

Keynote – 'If I were Chancellor for the day'

Chris Hulatt, Octopus Group

- Chris suggested how he would try to support economic growth in the UK if he were the Chancellor.
- More financial support and better role models are needed for entrepreneurs to help new businesses form and help create jobs eg as achieved by the Enterprise Investor Scheme and venture capital trusts. The next stage of finance to help businesses to scale up is missing in the UK.
- Efforts to commercialise intellectual capital from UK universities/research institutes are needed, noting that the risks and timescales meant it was often ignored. The Government needs to make investment easier and even offer first-loss positions to help institutional investors. Benefits can also be realised via individual savers, through improved education and the ability of ISAs to invest in start-up companies.

LGPS survey presentation

Paul Myles, Schroders

- Paul ran the audience through the key findings of the Room 151 [annual survey](#) of the LGPS.
- This included beliefs around pooling, such as it being a success now or in the near term and the potential for changes in the number of pools and ability for funds to invest in other pools. There are strong signals of further commitments to private markets by the LGPS.
- Levelling up investments are expected to focus on renewable energy infrastructure and residential housing. Meanwhile, uncertainty remains around carbon-reducing investments.

Inflation & interest rates – investment opportunities and challenges for the LGPS

Piers Hillier, Royal London Asset Management; Seth Meyer, Janus Henderson Investors; Andrew Parry, J O Hambro; Peter Wallach, Merseyside Pension Fund

- Piers discussed how short-term inflation appeared to be on its way down, but that over the longer-term it was expected to be higher. Interest rates were at, or almost at their peak, with the greater dispersion in markets leading to opportunities for active management.
- Seth debated the challenge higher interest rates were bringing to markets, including the difficulty in finding businesses that could survive and produce positive returns. Yields are at attractive levels and duration risk would be rewarded. Recent high correlations between assets were also due to inflation being high, but that they would fall again once inflation was back below 3% pa.
- Andrew believes that listed markets were being undervalued due to an investor preference for private markets. He discussed the challenge for investors in predicting the future – whilst the market's moving to more normal conditions, it was coming out of an extended period of unusual conditions.
- Peter discussed the challenge high inflation was creating for the Merseyside Pension Fund. The Fund has been increasing investments in fixed income assets for the purpose of generating cashflow.

CIO panel

Gordon Ross, LGPS Central; Joe McDonnell, Border to Coast Pensions Partnership; Richard J Tomlinson, Local Pensions Partnership Investments

- The session debated the government's latest consultation on LGPS investments, levelling up and the pools meeting demand from their partner funds.
- Gordon stated that LGPS Central are not attempting to second-guess the outcomes of the consultation but address them once they had been confirmed. He also mentioned the strong demand for private markets assets from partner funds.
- Joe discussed the push for increased internal management from the consultation and Border to Coast's efforts and experiences in that area. He noted that levelling up investments were a contentious area but that there was general support from their partner funds to do more.
- Richard said that levelling up and investments that supported the UK were fine, but that they needed to produce the right levels of return and risk if the LGPS was going to invest. He also discussed the challenges to investing in the UK, such as a less entrepreneurial spirit when compared to the US.

Private markets – what role going forward for the LGPS investor?

Nick Holman, Kartesia; Ernie Chesculescu, Barings; Neil Berry, East Riding of Yorkshire Council; Phil Triggs, Westminster City Council

- Nick discussed the private debt market, noting the large growth in investor interest and commitments, the high levels of yields and the increased risk of defaults. He also noted several loans Kartesia had made in the UK, and how they supported levelling up and the growth of the UK economy.
- Ernie presented on private placements, explaining what they are and the current market opportunity.

- Neil discussed his Fund's private markets allocations, noting they had been investing in the area for a long time. The Fund divides its investments into private equity, private debt and "other", which included climate opportunities, local impact and natural capital. He noted the benefits of diversification, but that they were hard work to manage and limited an investor's ability to make tactical changes.
- Phil discussed the variety of investment strategies across the funds that he works with, noting the diversification benefits private markets have offered to the funds that invest there. The fund with the simplest investment strategy had done very well historically.

Theme of the local heroes – levelling up & impact

Louise Evans, Franklin Real Asset Advisors; John Styles, Knight Frank Investment Management LLP; George Graham, South Yorkshire Pensions Authority; Jonathan Digges, Octopus Investments; Mark Gayler, Devon County Council

- Louise manages a social impact infrastructure fund, with dual aims of financial return and positive social impact. She talked about the areas of focus for the fund, in housing, healthcare and education.
- John manages a portfolio of local investments for the Lancashire Pension Fund, including assets in Blackburn and Lancaster and their positive impact on the area. He noted the challenges in local investments, such as the ability to deploy capital at scale, the potential conflicts of interest and the risk.
- George was asked why he had wanted to start making local investments when he had worked for the Lancashire Pension Fund. He noted the large investment opportunities he saw in the area, and emphasised that they never made a local investment where they felt they were compromising on returns. He noted the benefits of diversification and the ability to see the real world impact the investments had.
- Jonathan discussed how Octopus were looking to help investors who wanted to overweight investments in a particular area whilst still investing in nationally run funds, through the use of co-investments.
- Mark explained how his Fund had decided to invest in local impact opportunities, noting the interest from the pensions committee. Investments focus on Devon or the wider Southwest, and they'd partnered with Brunel on the opportunity. Due to resource constraints at Brunel, they also worked with other partner funds. Having an investment manager in the process helps to remove conflicts of interest and ensure that financial return and risk requirements were still being met.

Nature capital & nature-positive investments

Stephen Addicott, Stafford Timberland; Robert Hall, Federated Homes Limited; David Spreckley, London Borough of Barnet, Alex Younger, Norfolk Pension Fund

- Stephen discussed the important role trees played in decarbonising the planet; they absorb 20-25% of global carbon emissions. He discussed the various risks when investing in forestry, noting the largest was pricing risk, as investments were so difficult to derive a fair value for.
- Robert's managing a new fund that's invested in nature-based solutions. He outlined the solutions and the universe of investment opportunities, dividing these into real assets and private equity. Businesses are seeing increased demand for their products because of the benefits they provide to nature.
- David discussed the work that Barnet had done to achieve a net zero target of 2030, including investing 20% of their assets in forestry and renewable energy infrastructure.

- Alex discussed some of the forestry investments Norfolk have made in forestry, for financial return and diversification purposes, rather than net zero or nature reasons. He discussed how they can be complex investments but also very beneficial to a portfolio.

The outlook for equities – active, passive, impact and sustainability

Rosie Rankin, Baillie Gifford; Lauren Juliff, Storebrand Asset management UK; Neil Mason, Surrey Pension Team; Bola Toburn, London Borough of Harrow

- Rosie covered BG's Positive Change fund. It invests in solution providers to a wide range of global challenges, including demographics, healthcare and biodiversity loss. Issues can't be fixed with exclusions policies; instead investing in companies helps to fix problems and produce attractive returns.
- Lauren discussed passive "Paris-Aligned" investment funds. Research shows that issues with data and portfolio construction leads to solution providers to climate change being excluded by these funds and the "Magnificent 7" companies being significantly overweighted.
- Bola debated the benefits of active and passive management in decarbonising and sustainable investments. Whichever approach applies, investors need to be very clear with their investment managers over expectations. Active management has a greater ability to affect change at companies.
- Neil discussed how many passive strategies were not truly passive and were in fact making large bets relative to market cap weighted indices and were undertaking high levels of trading. Surrey's allocation to different equity regions explores the different approaches of market cap-weights and GDP-weighted.

Chair's closing remarks

Aoifinn thanked everyone for their attendance and noted the importance of the LGPS working together on the wide range of complex issues that had been discussed.

If there is anything in this conference highlights document which you would like to discuss further, then do get in touch with your usual Hymans Robertson contact, or [get in touch here](#).

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Conference highlights

LGPS Pension Managers' Conference (21 – 22 November 2023)

Mid-November means the annual trip to the seaside for the LGPS Pension Managers' Conference in Torquay to focus on the key issues facing administrators. It was an opportunity to hear from the new Pensions Ombudsman as well as hearing from officers on how they are coping with challenges such as recruitment and retention, communication and managing expanding workloads.

Thank you to everyone who visited the Hymans stand and we hope to see you all again next year.

Day 1

Chair's welcome

Pat Luscombe

This was Pat's last conference as Chair. He welcomed delegates to a busy day and half covering some of the key issues facing LGPS administrators.

Session 1: The Pensions Ombudsman

Dominic Harris, The Pensions Ombudsman

- Resolved cases are steadily increasing each year, but so too are the number of new cases being referred, leading to a persistent backlog of cases. There is now a much bigger focus on resolving cases early rather than allowing them to go all the way through to a full determination.
- TPO's cyber-attack in June affected their ability to process cases. Most common ones include transfers, mis-quotes, overpayments and ill-health retirements.
- The Court of Appeal recently found that TPO is not a competent court for the purposes of schemes recovering overpayments from members. Schemes will need to go to the County Courts to recoup overpayments if a scheme member disputes recovery. TPO is considering how to clarify this process.
- Dominic ran through some significant recent important cases. CAS-38681-W2H9b (with lessons for funds regarding spotting fraudsters), CAS-93568-H0D0 (regarding the interpretation of "overseas assets") and CAS-56210-B2T3 (where a flawed process can still produce a reasonable outcome as long as all relevant matters in the exercise of a discretion are considered).

Session 2: LGA update

Lorraine Bennett, Local Government Association

- The new LGPS minister is Simon Hoare (the 12th in as many years) who has a background as a local government councillor.
- McCloud - regulations take effect from 1 October 2023, but guidance still needed on certain areas. The guidance is in 3 parts; 1st part is out now; 2nd part will look at calculations and 3rd part 3 will cover retrospective calculations. LGA are McCloud webinars in December.
- Dashboards - DWP have delayed introduction as more time is needed. An absolute backstop date of 31 October 2026 remains in legislation. An informal consultation will determine a suitable date for public service schemes. Some commentators are speculating that this will be September 2025.
- Other issues - SAB's report on Sharia compliance is due for publication. It's unlikely to mean major structural change but perhaps moves to make the scheme more inclusive. Goodwin remedy expected next year. Forfeiture and 5-year refund to be consulted on. There may still be a consultation on member exit payments. The SAB chair wrote to the previous minister to request progress on Fair Deal.

Workshop 1: Pensions dashboards – how to get connection ready

Maurice Titley, PASA; Andrew Lowe, PASA; Richard Smith, Independent

- PASA will be issuing 'connection ready' guidance soon covering 5 pillars.
- Matching and possible data issues were discussed where email addresses aren't currently held on records. Is the data used to match correct?
- There was concern about National Insurance numbers not being a core search component, but PASA explained this information isn't on a shared database. There's a risk that items such as surname and postcode may be wrong on the member record. Funds are finding that members don't yet have NI numbers due to HRMC being behind on issuing them.

Workshop 2: Administrator relationships: The Pensions Regulator

Barry Coxon and Wendy Neller, The Pensions Regulator

- Members of TPR's Administrator Relationships Team explained how they were working with administrators across a range of schemes to understand the issues they face and consider ways that TPR can support and guide. Workshop attendees fed back their views.

Workshop 3: Technology in pension: a future vision for pension administration

Richard James, Civica; Des Hogan, Equiniti; Tim Carpenter, Heywood Pensions Technologies

- The use of technology, such as AI to explain benefit statements in real terms, or apps to allow for real time data and engagement, was discussed. AI can provide 24-hour customer service and data analysis and be used to detect fraud.
- Video-making software such as Synthesia can help turn text into video. Logic Dialogue is an AI based chatbot software which can be trained to answer questions on McCloud and ABS.
- From an employer's perspective, various software solutions are available, such as AI videos and chatbots to provide instructions on how to upload data or explain what information is required, systems to automate

calculations such as final pay by extracting information from payroll systems and apps that direct employers to the information they are looking for or a chatbot for training.

Workshop 4: Apprenticeships and qualifications in the LGPS

Lisa Clarkson, LGA; Nick Walker, Barnett Waddingham

- Lisa and Nick discussed work being undertaken on developing qualification routes.

Workshop 5: Helping you with the McCloud muddle

Rachel Abbey and Steven Moseley, Local Government Association

- Rachel and Steven discussed the support available for LGPS funds dealing with McCloud and some of the complexities of the calculations. They sought views from the group about how LGA can further support in this challenging area.

Session 3: Legal update

Gary Delderfield, Eversheds Sutherland (International) LLP

- Gary considered some recent legal cases including CAS-100315-L7P0 (where a member's illness only came to life after they had handed in their notice), CAS-49727-J9W0 (a disputed death grant case that showed the importance of following the rules when exercising a discretion) and CAS-29927-D2K7 (where a member complaint following pension liberation will not automatically result in reinstatement).
- Various "Hot off the Press" topics included the Economic Activities of Public Bodies (Oversees Matters) Bill, the Abolition of Lifetime Allowance and the new Finance Act 2024, and TPR's upcoming General Code of Practice.
- Other areas discussed included insolvent employers and guarantees, termination of DDAs and old funding agreements, payment of exit credits and discretionary processes, regulation 64A (review of employer contributions) and vegan compliant schemes ('ethical veganism' is now a protected belief under the Equality Act 2010).

Session 4: Cyber threats

Catherine Pearce, Aon

- Cyber threats to funds have increased from 3% in 2019 to 14% in 2023. Consequences included system failures, loss of data and BAU impact.
- Only 19% of funds have a specific cyber strategy in place. It's recommended that this should not be made publicly available online. Catherine outlined a 4-stage approach – Seek, Shield, Solve, Review.
- Incident response plans include business continuity and disaster recovery plans. They should be separate documents but link in and complement one another.

Session 5: Recruitment and retention update

Yunus Gajra, West Yorkshire Pension Fund

- Yunus outlined the recruitment issues faced by LGPS funds. These included public sector pay not being competitive, lack of career progression, pension systems being slow to adapt to change, work is complex and technical, not a career of choice for many people and competition from other schemes.

- WYPF have introduced a graduate programme, a new benchmarking process for salary and allowed staff to undertake further qualifications. More staff have been hired and retained, rather than left, this year.
- Other initiatives include social media and the LGA website to promote opportunities, contracts allowing individuals to work the majority of time at home (to attract individuals from outside the local area), and wider benefits being pushed.
- There needs to be a further review of jobs and grades (especially with regards to similar roles in the private sector), further work with schools, colleges, and universities and attendance at more job fairs.

Session 6: A surplus? What now...

Steve Law, Hymans Robertson

- Funding levels have gradually improved over the past 20 years with the LGPS finding itself in surplus on local funding bases as at the 2022 valuation. Since the valuation, funding levels at some funds and employers have increased further.
- Surpluses create challenges. Messaging to members, employers and elected members needs to be carefully managed to ensure a full understanding of what high funding means for each party.
- Employers may request contribution rate reviews. Careful consideration should be given to the Regulations, your fund's policies, SAB guidance and wider risks when deciding whether to grant a review.
- Persistently high funding levels can impact funding and investment strategies. There are pros and cons to reducing investment risk, reducing contribution levels, increasing prudence and retaining surpluses. Careful consideration should be given when deciding change to one or more of these.

Day 2

Session 7: SAB compliance and reporting committee workstream – annual report administration KPIs

Becky Clough, Local Government Association

- Becky highlighted the work being done by the SAB's Compliance and Reporting Committee to update the old CIPFA guidance on producing an annual report. The CIPFA guidance was last updated in 2019.
- A key part of the update is looking at KPIs. The idea is not to try to introduce league tables or turn the SAB into a regulator.
- There are no new administration KPI's added but work has been done to provide more consistency over how they are applied and clarity about how they are measured. There are also more developed KPIs in areas such as engagement, communications, staffing and data.

Session 8: Shared services

Jo Darbyshire, Local Pensions Partnership Administration (LPPA)

- Jo discussed the history and structure of LPPA. It has 18 Public Sector clients, 10 of whom are LGPS Funds.
- What are the benefits and risks of using shared services? Benefits include economies of scale (saving costs), sharing of development costs with other Clients, access to specialist resources and potential for improved cyber security. Risks include loss of control, need for resource at each client to manage the provider relationship, loss of individuality and brand, and potential for loss of a local presence.

Session 9: DLUHC update

Alan Wareham, DLUHC

- Good governance – the next step is to finalise the guidance and regulations and present these to the Minister, but there will be a further consultation. The of future LGPS Investments consultation was issued alongside the Autumn Statement.
- Further consultations expected in 2024 are annual report guidance, administration statutory guidance, FSS guidance (to be in place prior to the next English & Welsh valuations in 2025), survivors' benefits and forfeiture.
- Other priority areas include local audit, pensions dashboards, Fair Deal and academy consolidation.

Session 10: Communications

Debbie Sharp, South Yorkshire Pension Authority

- Debbie opened the session by discussing the complexities of people understanding information in different ways. The session was then broken down into three topics: member expectations, use of social media, and digital solutions vs traditional formats.
- On member expectations, Debbie stressed that not everyone has the same needs. Don't overload communications and instead be clear and comprehensive. Make sure they are accessible for all, so reduce the jargon used and write in plain English.
- On social media, Debbie posed several questions - how do we utilise social media platforms whilst being fully aware of the risks? Do you have the resources to service it? Will it be beneficial to your members?
- On digital vs traditional formats, think about what the members want. There'll still be a requirement for printed content but there is definitely a push towards digitalisation.

Session 11: Managing increasing workloads

Emma Mayall, Greater Manchester Pension Fund

- Emma mentioned the struggles of managing workload increases. The pandemic has changed the way of work, with administration moving to online portals and an increase in member demands. The demands have become wider eg revised pays, dashboards and policies such as incident response plans.
- Use feedback from scheme members to identify and make improvements. GMPF have taken this feedback, changed workflows and website pages, and created videos on how to use their site. The proof of life process is an example - members now have 4 options to complete this check.
- On managing employers, GMPF found that changing the submission deadline for payments to 1st of the month had helped, specifically with data being more accurate allowing members to do own estimates online. The amount of work has also reduced with the introduction of the TPR employer requirements.
- Emma provided examples of creating internal boards to discuss death benefits, transfers etc which allows staff to share knowledge, improve performance. This allows for a quicker resolution time.

Conference Close

Pat closed the conference with recollections of conferences past. Delegates thanked Pat for his many years of hard work making the South West Pension Managers Conference such a success. He was presented with a farewell gift.



Steven Law
Partner – Actuarial Public



Ian Colvin
Senior GAP Consultant



Kate Dickson
Senior Project Consultant



Jasmine Nisbet
Trainee GAP Consultant



Calum Robertson
Trainee GAP Consultant



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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Pensions Administration Report

Summary:

This is the quarterly report by the Fund’s pension administrator, West Yorkshire Pension Fund (WYPF).

Matt Mott, Head of Governance and Business Development from WYPF, will update the Committee on current administration issues.

Recommendation(s):

That the Committee discuss the activity and performance of the administration service during the last quarter.

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 KPI narrative

The information shown below provides details of the KPIs where the target has not been met in the period 1 July 2023 to 30 September 2023.

The full table of KPIs are in Appendix A.

Work Type	Reason for underperformance	Target % met
Death Grant to Set Up	There were delays in getting the information from other funds and next of kin to ensure the correct death grants were paid.	82.61%
Deferred Benefits Set Up on Leaving	Team Early Leavers are dealing with older cases and new work splits in the team have been introduced. Some of the Team are dealing with business-as-usual cases and some are now processing and checking the older cases to reduce the backlog.	69.07%
Interfund Linking In Actual	The Team have been processing older cases first for Annual Benefit Statement purposes. There has also been an increase in the number of cases the Team have checked overall as they have increased resource and the training of new staff is going well.	34.58%
Interfund Out Actual	Processing had been paused due to removal of GAD factors. There was also a delay by GAD in providing revised factors, these then had to be uploaded in UPM. The Team are now working their way through the cases in the date order by which they had been put on hold.	74.36%
Transfer In Actual	Processing had been paused due to removal of GAD factors. There was also a delay by GAD in providing revised factors, these then had to be uploaded in UPM. The Team are now working their way through the cases in the date order by which they had been put on hold.	26.67%
Update Member Details	Four forms were not processed within the target days. However, overall the forms are dealt with well within the process target.	99.53%

2.0 Shared Service Update

2.1 Staffing

Finance – Recruitment to the Senior Finance Officer post has been completed and went to a Finance Officer in the Finance Team. This created another Finance Officer vacancy within the Team and two new Finance Officers have now started in the team.

Service Centre – Six new Pension Officers have been appointed and they have now been allocated to their Service Centre Teams but there are still some vacancies and further interviews are underway to recruit a further 7.5 Pension Officer posts. In addition there

are also two Senior Pension Officer posts vacancies and recruitment will start shortly to fill these posts.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this has been advertised.

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative which is an additional post within the Team. They are looking to recruit to this post shortly.

2.2 Audits undertaken by Bradford Councils Internal Audit:

a) New Pensions and Lump Sums – Ill Health Pensions

It is audit’s opinion that the standard of control of identified risks in the system is excellent.

The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives.

Internal Audit made no recommendations for improvement.

2.3 Shared Service Budget

Lincolnshire LGPS	MBR NO MAR23	2022/23 REVISED BUDGET	2022/23 ACTUAL	VAR BDGT-ACT PD12	2023/24 COST PER MBR	2023/24 BUDGET	MBR NO MAR23	2023/24 COST PER MBR PD6	2023/24 FORECAST PD6
CHARGE ACTUAL / FORECAST	82,776	-£1,378,752	1,572,826.78	-£2,951,579	19.00	£1,542,945	82,776	£19.00	£1,572,827

Lincolnshire LGPS	MBR NO ESTIMATE MAR24	EST CST PR MBR 24/25	EST 2024/25
CHARGE ACTUAL / FORECAST	79,483	£18.52	£1,471,810

2.4 Shared Service Risk Register

Over the last 12 months as part of the collaboration of Shared Service Partners, a Risk Register has been produced. This considers the shared risks faced by all in the delivery of the Local Government Pension Scheme administration.

The Risk Register was reviewed at the Shared Service meeting in November 2023 and it was highlighted that Risk 2 will need a further review once the Shared Service Refresh has been completed.

Appendix B – Shared Service Risk Register

2.5 Policy Changes

The policy changes for the period 1 July 2023 to 30 September 2023 are –

Shared Service Refresh

- A meeting to discuss the Shared Service Refresh took place in London in September 23 between all the LG Shared Service Partners. The document has now been re-drafted following the meeting and is now with Bradford Legal Services for approval.

2.6 Resource Plan

The Resource Plan summarises the current performance of the shared service administration and sets out how WYPF intends to resource the administration service for WYPF and the 3 LGPS partners, Lincolnshire Pension Fund, London Borough of Hounslow & London Borough of Barnet.

The Resource Plan is presented at each Collaboration Board meeting which are scheduled every quarter.

Appendix C – Resource Plan

3.0 Regulatory Update

a) McCloud

On 1st October 2023 the remedy regulations came into force for McCloud. The disclosure requirements for McCloud require that all members are informed about the material change to the scheme. We have confirmed our plans meet the disclosure requirements with the Local Government Association (LGA).

A newsletter has been issued to all active, deferred and pensioner members in November and a letter version of the newsletter will be printed and posted to all 'electronic opt out' cases to their home address. The website continues to provide passive communications about McCloud for members.

Full guidance still has not been published by the Local Government Association (LGA) but they are writing a series of three documents as guidance notes and the first guide was issued in November 2023 with the others to follow in due course.

Appendix D – Regulatory Update

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.

Consultation

a) Risks and Impact Analysis

Lincolnshire Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	KPI Table
Appendix B	Shared Service Risk Register
Appendix C	Resource Plan
Appendix D	Regulatory Update

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 Matt Mott, who can be contacted at matt.mott@wypf.org.uk











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Appendix A

Appendix A

KPI's for the period 01.07.23 to 30.09.23							
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN	DIRECTION OF TRAVEL
Age 55 Increase to Pension	1	20	1	85	100	10	←
AVC In-house (General)	36	20	35	85	97.22	3.11	↓
Change of Address	152	20	150	85	98.68	2.41	↓
Change of Bank Details	94	20	94	85	100	2.19	←
Death Grant to Set Up	46	10	38	85	82.61	26.41	↓
Death In Retirement	126	10	116	85	92.06	2.09	↑
Death In Service	6	10	6	85	100	4.5	←
Death on Deferred	5	10	5	85	100	2.08	↑
Deferred Benefits Into Payment Actual	323	10	305	90	94.43	5.29	↑
Deferred Benefits Into Payment Quote	377	35	342	85	90.72	30.81	↑
Deferred Benefits Set Up on Leaving	514	20	355	85	69.07	86.21	↓
Dependant Pension To Set Up	83	5	77	90	92.77	4.02	↑
Divorce Quote	55	40	48	85	87.27	22.32	↓

Divorce Settlement Pension Sharing order Implemented	3	80	3	100	100	5	
DWP request for Information	1	20	1	85	100	2	
Estimates for Deferred Benefits into Payment	3	10	3	90	100	8.33	↑
General Payroll Changes	114	20	113	85	99.12	2.04	↓
Initial letter Death in Retirement	126	10	119	85	94.44	1.35	↓
Initial Letter Death in Service	6	10	6	85	100	2	←
Initial letter Death on Deferred	6	10	6	85	100	1.17	←
Interfund Linking In Actual	107	35	37	85	34.58	148.03	↓
Interfund Linking In Quote	68	35	63	85	92.65	24.87	↓
Interfund Out Actual	39	35	29	85	74.36	31.52	↓
Interfund Out Quote	32	35	29	85	90.63	27.27	↑
Life Certificate	14	10	13	85	92.86	4.5	↑
Monthly Posting	817	10	788	95	96.45	3.4	↑
NI adjustment to Pension at State Pension Age	16	20	16	85	100	8.63	←

Pension Estimate	11	10	10	90	90.91	8.62	
Phone Call Received	840	3	807	95	96.07	1.79	
Refund Actual	161	10	161	90	100	2.31	
Refund Quote	278	35	278	85	100	4.24	
Retirement Actual	208	10	195	90	93.75	5.01	
Transfer In Actual	45	35	12	85	26.67	75.37	
Transfer In Quote	48	35	45	85	93.75	24.23	
Transfer Out Payment	6	35	6	85	100	20.83	
Transfer Out Quote	164	35	142	85	86.59	23.34	
Update Member Details	857	20	853	100	99.53	4.15	

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London Borough
of Hounslow



The Pension Administration Shared Service Risk Register

Introduction

As part of the continued collaboration between members of the Shared Service, London Borough of Barnet Pension Fund, London Borough of Hounslow Pension Fund, Lincolnshire Pension Fund and West Yorkshire Pension Fund (WYPF), this Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the Pensions Shared Service. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward-looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

The Shared Service has initially identified 13 risks which have been rated and plotted on a matrix and a risk tolerance line agreed to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of the Shared Service to achieve its objectives.

Summary of Risks 2023

Risk Identification	Risk Number	Risk Name	Risk Rating
Shared Service Partners	1.	WYPF increases shared service membership	C 2
	2.	SLA not met and partner policies not maintained	D 2
	3.	Failure of Shared Service partners to consult or communicate over decisions that affect the service	D 2
Technical	4.	Failure to meet scheme regulation & pension legislation	D 2
	5.	Incorrect data/information or data/information not provided	C 2
	6.	Failure to communicate with scheme members, including disclosure regulations	D 2
Service Delivery	7.	Fraudulent activity by Shared Service staff, employers & scheme members	E 1
	8.	Funds leave Shared Service	D 2
	9.	High or increased volumes of work & legacy backlogs	B 2
Policies	10.	Pandemic, Epidemic & "Acts of God"	A 3
	11.	Software Failure	E 1
	12.	Failure of Cyber security	D 2
	13.	Failure to plan for or implement a Disaster Recovery plan	E 1

The process

Risk identification

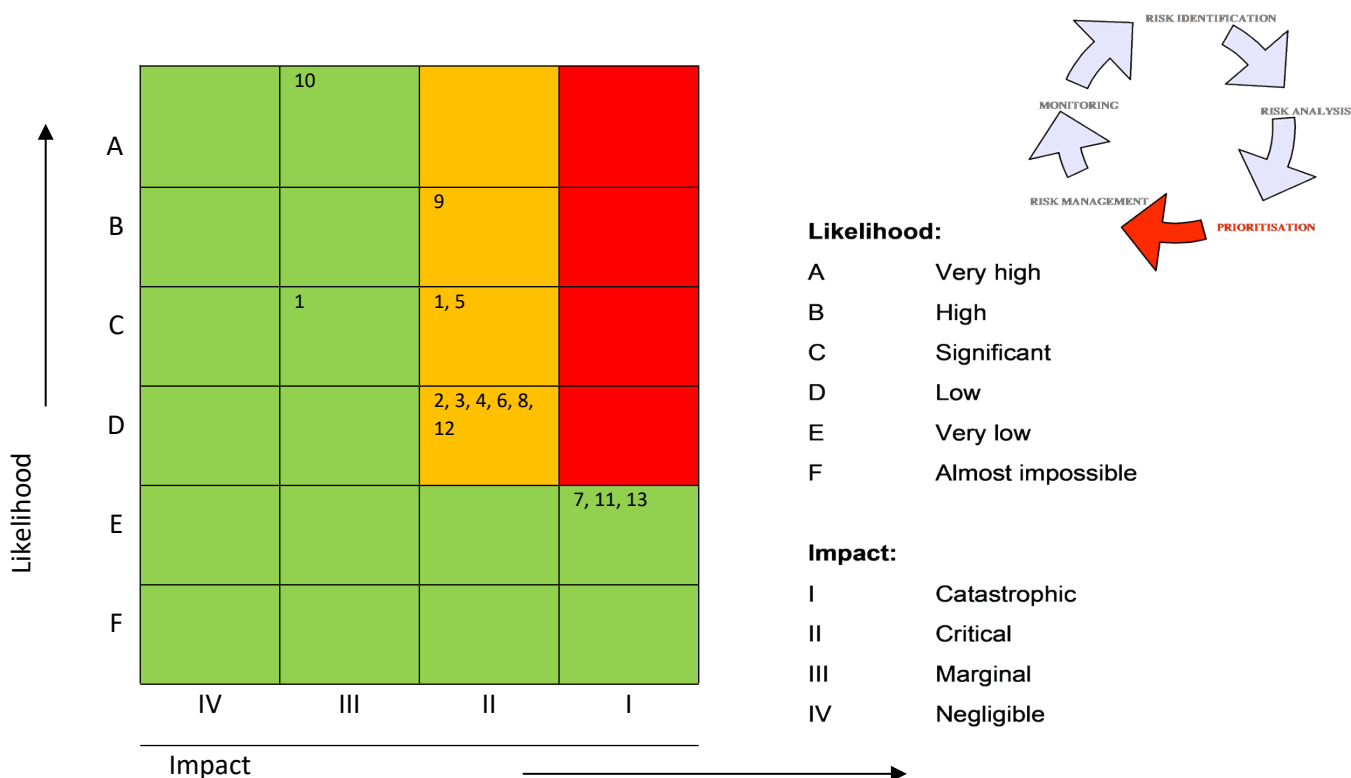
The first stage of the risk management cycle requires risk identification. This has been achieved through discussion with Key personnel at each of the Pension Funds within the Shared Service.

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

To determine the appetite to risk, each of the squares on the matrix are considered to decide if the Shared Service is prepared to live with a risk in that box or if it needs to be actively managed. This determines a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

Initially 13 risks have been identified and framed into scenarios. The risks identified have been rated. The results are shown on the following risk profile and in summary on page one. These risks will be regularly assessed as part of a review process.



Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Key risks may periodically require attention and it is important that having identified risks that could have critical impact, that when required appropriate action is undertaken. MAP's, therefore, may be agreed for any risks identified above the tolerance line.

Shared Service Risks

Risk	Rating	Risk Description & Controls in Place	Adequacy of Action and control	Required Management Action	Responsibility for Action	Critical Success Factors & KPIs	Review Frequency	Key Dates	Opportunity
1.	C 2	<p>WYPF tender for further administration clients.</p> <p>Periodically WYPF may be asked to tender for new business.</p> <p>In doing so capability and resource will be reviewed to deliver the shared service to the required standard and communicated to the Shared Service.</p>	<p>Ensure resources maintained for existing shared service members and capability demonstrated for the additional contractual obligations</p>	<p>WYPF to ensure KPI & SLA standards are met as a minimum, cost to existing Shared Service members remain value for money.</p> <p>Regular communication to Shared Service</p>	<p>WYPF to be open and transparent in communications and actions</p>	<p>Shared Service does not receive downturn in performance. Shared Service costs remain value for money</p>	<p>Quarterly</p>	<p>1 April 2022</p>	<p>To increase knowledge and skills within Shared Service Or opportunity to hone exiting talent</p>
2.	D 2	<p>Failure to meet minimum standards as set out in the SLA and policy documents.</p> <p>Policies written and shared with all stakeholders by all Shared Service partners.</p> <p>Regular reporting and KPIs produced and discussed at regular meetings to determine if all parties meet the required standard.</p>	<p>Reporting to be provided monthly. To include work volumes, data transfer, accuracy, protection and KPI.</p> <p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided. Ad hoc meetings can also be arranged for urgent items.</p> <p>If standards not achieved reviews and amendments to</p>	<p>Review and improve areas of concern. May include communications with employers and training for staff.</p> <p>Policies to be reviewed and updated by shared service partners.</p>	<p>WYPF for reporting. All parties to review their part of the processes and deliver minimum expected standards</p>	<p>Minimum SLA standards met.</p> <p>Satisfactory reporting, met KPIs with no data or training issues required.</p>	<p>Monthly reporting and Quarterly review</p>	<p>1 Feb 2022</p>	<p>Opportunity to understand current outputs and to review and train where appropriate.</p>

			service and processes may be required						
3.	D 2	<p>Failure of shared service partners to consult with each other over decisions that affect delivery of the service.</p> <p>Failure of Shared Service partners to communicate policy/decisions and to provide adequate and timely information to them</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>Ad hoc meetings can also be arranged by any partner for urgent items</p>	<p>Review and share all policies.</p> <p>Communicate between partners and all employers.</p>	Partners in agreement with or understand policy decisions	Satisfied partners full and efficient shared service	monthly	1 Feb	Opportunity to build relationship, joined up thinking and work seamlessly as one service
4.	D 2	<p>Failure to meet LGPS regulation & overriding legislation.</p> <p>Including implementation of regulation amendments, such as McCloud, and requirements of the Pension Regulator's (TPR) code of practice and compliance with DPA18 (GDPR) leading to incorrect benefits values and complaints</p>	<p>WYPF must liaise with authority bodies such as LGA, TPR, HMRC & DLUHC.</p> <p>Keep knowledge up to date through various sources such as training plans, working instructions, workflow processes, Team Briefs, internal and external training courses and events</p> <p>Ensure software updated and maintained.</p> <p>Communicate & discuss with shared service partners</p>	<p>Attend webinars, seminars, conference.</p> <p>Work with software provider</p> <p>Communicate with members and employers.</p>	All Shared Service	<p>Understanding, communication, and implementation of statutory requirements</p> <p>Benefit values correct and no justifiable complaints</p>	Monthly	1 Oct 2022	Opportunity to improve knowledge and process to deliver our statutory obligation
5.	C 2	<p>Incorrect data/information or data/information not provided from any shared service partner or stakeholder or not provided in a timely manner.</p> <p>Leading to incorrect benefit values or the inability to process benefits at all and low TPR data scores.</p> <p>Data required by 19th of following month and WYPF have processes to communicate and chase</p>	<p>WYPF unable to complete processes. Time, effort and cost requesting and chasing data by WYPF.</p> <p>Data sometimes not received at all, WYPF unaware of work to process, complaints from scheme members</p>	<p>WYPF to inform Shared Service. Liaise with employers assist/train.</p> <p>Shared Service to support WYPF in this delivery even in the event of employer charge.</p> <p>Develop & implement automated processes.</p> <p>Review and where applicable amend existing processes</p>	If data not received following communication /chasing and or training shared service members to liaise with employers	Shared Service and WYPF support each other, communication s clear and employers understand their responsibility and liability.	Monthly	1 Feb 2022	<p>To improve data accuracy and reduce work required to collect data. Leading to better processes and improved KPIs</p> <p>Develop and introduce automation</p>

		stakeholders for information.							
6.	D 2	<p>Failure to communicate all necessary and required information to scheme members including documents, website, emails and scheme guides.</p> <p>Providing information under disclosure regulations mandatory</p> <p>Failure to provide may cause misunderstanding and poor scheme member decision making.</p> <p>This may lead to complaint, investigation and sanction & loss of reputation</p>	<p>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.</p> <p>Information of regulation to be understood by Shared Service and communicated to all stakeholders.</p> <p>Website, documents and scheme guides reviewed regularly</p>	<p>Information always provided and accurate.</p> <p>Agreed support from Shared Service</p>	WYPF supported by Shared Service	Information accurate and no complaints	Quarterly	April 2022	To ensure scheme information is compliant
7.	E 1	<p>Fraudulent activity by Shared Service staff, employers & scheme members</p> <p>Causing overpayment of benefits, complaints, investigation, litigation, action and loss of reputation</p>	<p>Segregation of duties set out clear roles and responsibilities.</p> <p>National Fraud Initiative participation and Internal audit of pensions.</p> <p>Implementation of amended transfer regulations wef 30 November 2021</p>	<p>Up to date and regular training of staff.</p> <p>Shared service share information and employers communicated too and updated with current knowledge.</p> <p>Appropriate information to members and information on website</p>	All stake owners must be aware of fraud/scamming issues	Accurate information, timely communication. No Fraud and no complaints	Quarterly	April 2022	To ensure scheme information is compliant
8.	D 2	<p>Risk Funds become dissatisfied and elect to leave the Shared Service partnership.</p> <p>Creating additional work and need for resource to manage exit.</p> <p>Cost of Shared Service now spread across remaining members but may not provide good value for the level of service delivered."</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>If an exit, ensure resources maintained for existing shared service partners, costs are maintained and do not increase for</p>	<p>To ensure there is not any dissatisfaction resulting in partner leaving the shared service</p>	<p>WYPF and then all partners.</p> <p>Resource adequate for exit and remaining partners. SLA, KPIs and costs reviewed, communicated and if necessary redistributed.</p>	Members do not leave or if leave no detrimental effect to remaining Funds	Quarterly	1 April 2022	Opportunity to deliver a successful service together or consolidate Shared Service membership to maintain standards upon an exit

			remaining partners if there is an exit.						
9.	B 2	<p>High or increased volumes of work & legacy backlogs</p> <p>WYPF unable to provide adequate resource to process daily work or reduce legacy backlogs.</p> <p>Performance declines, statutory deadlines missed, backlogs created/increased, complaints received.</p> <p>Monthly reporting necessary to identify potential issues and shared service partners to communicate early any variant to work, including indications from employers.</p>	<p>Monthly reports to Shared Service monitoring changes to volumes and KPIs</p> <p>Review of resource, training and recruitment.</p> <p>Systems and processes reviewed and aligned with KPI reporting to continue to deliver SLA standards.</p>	<p>Review all KPIs.</p> <p>Rolling recruitment programme to fill vacancies and train staff when appropriate.</p> <p>Develop software and processes to deliver smarter service.</p> <p>Develop and implement automation to increase productivity and free resource to applied to critical areas such as backlogs.</p> <p>Employer reminded/trained regarding responsibility and good data. Encouraged to inform WYPF asap of variants in workloads.</p> <p>Approach supported by Shared Service</p>	<p>WYPF to review, report and communicate.</p> <p>Employer to provide accurate information in timely manner.</p> <p>Supported by Shared Service partners</p>	<p>Legacy backlogs reduced, all current workload handled efficiently,</p> <p>Automation implemented in key areas.</p> <p>KPI reporting consistent and accurate.</p> <p>Member experience maintained/improved.</p>	Monthly	1 Oct 2022	<p>Opportunity to ensure resource is sufficient, improve processes and provision of software and introduce automation.</p>
10.	A 3	<p>Failure to meet statutory obligations due to pandemic, epidemic and "acts of god" staff unable to travel and or are ill.</p> <p>Increased volumes of work and backlogs.</p> <p>Failure to meet statutory obligations that has potential to create new working environments and challenges in delivery of scheme administration</p>	<p>Ensure staff, colleagues and peers are well and able to work.</p> <p>Review all process and consider system development for automation.</p> <p>Concentrate on key areas as identified by TPR, SAB & LGA so that pensioners are paid and the most at risk treated as priority.</p>	<p>Alternative working arrangements, including communication, WFH and virtual meetings and training.</p> <p>Develop and implement automation processes</p>	<p>WYPF & all Shared Service</p>	<p>Stakeholder ability to be flexible in working arrangements, including DR and ability to effectively work remotely.</p>	Monthly	1 Oct 2022	<p>Learn/continue to work in a different way.</p> <p>Develop new ways of processing and increase automation</p>
11.	E 1	<p>Failure of Software.</p> <p>Affecting data of scheme member records, benefits values and payments.</p>	<p>Software backed up daily.</p> <p>DR to include contractual obligation of software provider.</p> <p>Staffed adequately trained and supported to</p>	<p>Laisse with IT departments and software providers.</p> <p>Ensure all staff have knowledge and capability for short term workarounds.</p> <p>Consider alternative ways of data transfer</p>	<p>All stakeholders</p>	<p>Continuity/reliability of software. Accurate data, automation and development.</p> <p>Ability to continue to meet statutory obligations and</p>	Monthly	1 Feb 2022	<p>Opportunity to ensure software is best in class.</p> <p>Ensure staff have appropriate knowledge and skills to deliver manually.</p>

		<p>Failure to meet statutory obligations</p> <p>Contractual obligations with software provider to run daily backups and restore system usage with SLA standards</p>	<p>perform manual calculations for most urgent processes.</p> <p>Current pensioners paid by rerun of last month payments.</p>	<p>(protected email, messages etc.) to enable employers to provide data to WYPF and WYPF to provide data to employers and scheme members.</p>		no justifiable complaints.			
12.	D 2	<p>Failure of Cyber security.</p> <p>Failure to protect data and scheme members from scammers.</p> <p>Data breaches by staff and shared service results in member loss, complaint, sanction and loss of reputation.</p> <p>Mandatory Cyber security training require of all staff, cyber security standards as part of software providers contract.</p>	<p>Ensure data received, sent and stored is protected, transferred and stored in compliance with DPA18 and is supported by AA IT and software provider</p>	<p>IT provide necessary industry protections including system daily backups and staff educated in cyber security issues.</p> <p>Data protection retention policies & privacy notices to be shared between all stakeholders and retained by WYPF</p>	All stakeholders to review IT and data protection provision, train staff and review	Fully trained staff. No cyber or data breaches	Daily, Monthly, Yearly	1 Feb 2022	<p>To ensure new ways of working (WFH) are as secure, reliable, efficient and safe as office based cyber security.</p> <p>Staff awareness periodically updated.</p> <p>Data policies and stamen shared by between all data processors.</p>
13.	E 1	<p>Failure to plan for or implement a Disaster Recovery plan.</p> <p>As part of WYPF business plan there should be an appropriate and effective disaster recovery (DR) plan to ensure statutory obligations are met in the event of a disaster, building fire, cyber-attack etc.</p> <p>All members of the Shared Service should also have a comparable DR.</p> <p>This would ensure all parties are aware of how they will continue to fulfil their statutory obligations in the event of a disaster and how each</p>	<p>The DR plan should clearly demonstrate how the business will continue to function.</p> <p>All DR plans should be shared between the shared service members and employers.</p>	<p>Ensure DR plans exist and are accessible.</p> <p>To test DR by taking down and restoring all systems.</p> <p>Ask employers if they have plans too and request a copy</p>	Shared Service and then all other stakeholders	Ability to function, communicate and meet statutory obligations in the event of a disaster.	Annually	1 Oct 2022	<p>Opportunity to assist all stakeholders and to deliver a joined-up service in the event of a disaster.</p>

		member should interact with the other in view of such an event.						
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Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk should be owned where possible by one or all members of the Shared Service partners to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The Shared Service partners have agreed that the risk register will be added as a standing item to the Shared Service 6 weekly meetings and the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be at the quarterly Collaboration Board.



Matt Mott

Nov 2023

LGPS Administration Partnership Resourcing Plan 2023

Executive Summary

This document summarises the current performance of the shared service administration arrangements and sets out how WYPF intends to resource the arrangements in order to deliver an outstanding administration service for WYPF and its 3 LGPS partners.

We have noticed over the last few years a general increase in member related activity across all our administration. This is because of;

- A continued increase in membership numbers
- The covid pandemic and the increasing cost of living leading to higher numbers of members seeking to draw their benefits
- National campaigns targeting pension transfers leading to an increase in transfer quotes and payments.
- More awareness and expectation from members

Clearly, demographic trends and material changes in member behaviour has the potential to increase workloads and can impact on the delivery of our service.

At certain times of the year we need to resource critical work areas in order to meet statutory deadlines, for example the production of Annual Benefit Statements ('ABS'). At other times, we need to be flexible in the allocation of resource due to increases in work volumes in certain areas or to adapt/react to challenges that cannot be predicted such as the COVID pandemic or regulatory changes.

2022/23 has also been a valuation year which has resulted in high volumes of leaver notifications. This has been as a result of our Employer Relations team engaging with Employers to chase up outstanding leaver forms which have not been submitted and could have impacted on the valuation results if not processed.

A. How we intend to tackle these challenges

i) Improved use of technology

We continue to focus on development and modernisation of our administration service, including reviewing organisational structure, training and development of staff and developing IT systems to increase automation of our processes; which will improve our effectiveness and both service and cost efficiency.

Reaching the desired level of automation will be a gradual transition, but when an administration process becomes automated it will have an immediate effect on new cases going forward. It will have less impact on cases already within our systems and partly completed, as these will generally be processed within our current ways of working.

Automation:

Pensions Systems Development have recently completed the automation of linkings. The results are:

At 31st August 2022 Number of Processes	At 31st August 2023 Number of Processes
8903	2760

ii) Resourcing

A recent LGA survey has highlighted that there are resourcing challenges across the LGPS in England and Wales. The average number of vacancies nationally is 5 FTE per fund with the highest recorded number of 22 FTE vacancies. (see attached survey results).

WYPF has implemented a rolling programme of recruitment which has had a positive impact on our resource levels. We have recruited 18 Pensions Officers since 1 April 2022 to vacant and new posts. There are now 105.8 FTE posts in the Service Centre budget for 2023/24, an increase from 95.9 in 2022/23. Other areas of WYPF which support the shared service administration function, such as IT, Communications and the UPM team have also increases in headcount in the budget.

Our current vacancies are:

- Team Manager (TM) (Early Leavers). We have advertised this post twice without any success.
- Senior Pensions Officers (SPO) – 2 vacancies
- Pensions Officers (PO) - 5 vacancies
- Pension Fund Representative (PFR) – 1 new post. This has been advertised twice - currently at interview stage
- Technical Advisor (TA) 1 new post – Not yet advertised.

Performance against KPIs in the short term has been impacted, whilst experienced staff have been training new recruits. However, we are starting to see the improvement in KPI performance as new staff become proficient in their areas of work.

We are also looking at introducing a graduate programme from Summer/Autumn 2023 which, given there are several high-quality local universities, we expect to result in a regular stream of talented and ambitious new recruits who will help drive the service forwards.

iii) Developing our processes and reporting

Our monthly postings phase 3 is undergoing final penetration testing from Braford Council before being released into the live environment. We are also reviewing the reporting on this area and intend to include related information such as breaches in our monthly client reports.

Our administration service is underpinned by the provision of timely and accurate data from partners and employers. The more frequently data is provided and the more accurate that data is, the better and more efficient our administration will be. This has been brought into particular focus by the McCloud project and will be crucial to meeting Pensions Dashboards requirements.

Our Employer Relations Team continue to support Employers and have put together an Employer training programme of key activities to help them fulfil their obligations as well as working with them on resolving outstanding leaver information, getting discretions policies up to date and attending Employer forums and events.

B) Shared Service Resourcing

WYPF administration is undertaken by the Service Centre. There are 9 Managers all reporting directly to the Head of Member Services. They are supported by 7 Service Centre teams providing specialist administration in designated areas of pensions administration as follows:

Team SC1 Fire

- All work relating to fire schemes

- All work relating to the Councillor scheme

Team SC2 Retirements

- Retirement Quotes and Actuals (i.e. processing retirements)
- Deferred Retirement Quotes and Actuals
- Pension in payment Recalculations
- LTA cases

Team SC3 – Transfers & Current Member

Transfers

- Transfers in and out, quotes and actuals
- Inter-fund in (asking for details, requesting and chasing payment from other LGPS funds)
- Inter-fund out (quotes and actuals)
- Divorces (quotes and actuals)
- AVC transfers out

Current Member

- Additional benefits (AVCs / POS / APCs / ARCs)
- Annual Allowance Breach
- Query on member record (address, post returned, hour changes, member portal query)
- ABS query

Team SC4 Linkings

Internal Linkings

- Automatic linkings from preserved refund status

Linking quotes and actuals from Deferred Benefit status

Inter-funds In

- Requesting and processing linking quotes
- Requesting payments and processing linking actuals

Team Early Leavers & Estimates

Early Leavers

- Refund Quotes and Payments
- Preserved refunds
- Calculating Deferred Benefits when members leave service

Estimates

- Estimate for Active members
- Estimate for Deferred members

Some changes have been introduced recently to the way that the team is working.

A minimum of 2 x SPOs and 2 x POs have been allocated to a mini 'backlog tackling' team within the team itself.

There are 3 mini teams within the functional team as a whole:

- 1) **Early Leaver Business As Usual:** This group focuses on the work that needs to be processed and checked on a daily basis to maintain the KPI time limits as the work arrives. Once they have achieved that for the day they then start to work on backlog cases as directed by the SPO responsible for the 'backlog tackling' mini team.
- 2) **Early Leaver Backlog Tackling:** This group focuses on dealing with the backlog work. In general the instruction is to tackle the oldest cases first, although not always, depending on the team members who are working that day and the level of complexity they are coming across.
- 3) **Estimate processing:** The team also process and check all pension estimates. We have some team members whose primary task is to deal with this area of work but other team members cross over from both early leaver groups stated above.

There will be some fluidity between the 'BAU' and 'Backlog' teams to ensure that spikes in refund payments are dealt with within KPI target. (We generally see a spike in refund claim forms arriving at the beginning of the week). It is yet to be confirmed whether we have the balance of the resource we have available correct between 'business as usual' and tackling backlog. This will become apparent over time.

The situation will be reviewed in 6-8 weeks time and certain team members may rotate between the early leaver mini teams. The starting split has been partially influenced by geographical location: 3 of the 'backlog tackling' team are based together in Lincoln to help with face-to-face support and direction.

The new way of working hasn't got off to the best start due to 3 long term sickness absences within the team and the vacant Team Manager post but it does look like we have the potential to reduce the backlog that is outstanding (although it appears that we may have to allocate more resource to this area of work).

NB: As a result of the above changes, we will very likely see the KPI stats for deferred benefits (active to deferred status) go down as we are clearing backlog cases. This is going to be further impacted by the fact that we had to hold back the processing of DBs where the date of leaving was after 30/03/2023 due to the change in CARE revaluation date until a couple of days ago. These deferred benefits were pending awaiting the UPM fix that UPM Support were able to deliver when Civica haven't. As we can now process them they are being worked on but will also pull the KPI stats back.

Team SC5 Pensioner Services team

The Pensioner Services Team is responsible for the maintenance of pension payroll records and the calculation and payment of death and dependant benefits including provision of a single payments and monthly payroll service.

Contact Centre

The Contact Centre Team is responsible for all aspects relating to the WYPF reception including liaising with staff regarding visitors, messages and enquires. Provision of a Contact Centre fielding the majority of incoming telephone calls received by WYPF. The Contact Centre Team is also responsible for handling incoming and outgoing post and responding to queries received by email.

There are 105.8 FTE posts in the Service Centre budget for 2023/24, an increase from 95.9 in 2022/23. Other areas of WYPF which support the shared service administration function, such as IT, Communications and the UPM team have also increases in headcount in the budget.

C) Workloads

i. Processes completed

The table below shows processes completed.

WORKTYPE	Sept-23	Aug-23	July-23	June-23	May-23	April-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22
AVC In-house (General)	121	91	72	113	141	102	77	59	91	47	82	89
Change of Address	508	473	499	509	374	338	348	387	472	376	489	419

Change of Bank Details	193	228	158	187	149	175	246	181	170	114	177	135
Death Grant to Set Up	72	122	83	59	54	69	96	79	67	57	100	104
Death In Retirement	341	316	408	350	319	370	390	408	459	227	359	279
Death In Service	7	11	13	7	13	9	14	8	10	5	11	11
Death on Deferred	16	23	20	22	24	14	23	14	10	16	23	18
Deferred Benefits Into Payment Actual	442	581	346	658	320	192	349	413	454	350	511	461
Deferred Benefits Into Payment Quote	451	521	684	766	641	247	367	547	505	497	615	691
Deferred Benefits Set Up on Leaving	977	656	842	899	746	1294	911	825	794	864	947	796
Dependant Pension To Set Up	136	135	200	150	117	126	176	159	149	106	179	135
Divorce Quote	87	70	98	68	15	4	63	47	72	41	58	61
Divorce Settlement Pension Sharing order Implemented	3	1	9	1	1	3	0	1	7	1	3	4
DWP request for Information	3	10	1	7	0	6	0	3	2	0	2	2
Estimates for Deferred Benefits into Payment	6	1	1	6	4	4	12	13	5	5	9	9
General Payroll Changes	226	213	268	222	322	333	472	207	235	173	237	206
Interfund Linking In Actual	236	210	125	38	142	57	77	105	26	9	30	30
Interfund Linking In Quote	122	98	78	133	113	117	126	229	196	66	63	67
Interfund Out Actual	171	53	43	50	52	79	193	213	227	299	209	172
Interfund Out Quote	171	53	43	50	52	79	194	213	227	299	209	172
Life certificate	1131	584	385	102	257	583	269					
Monthly Posting	669	894	1003	1022	738	992	814	826	1055	812	837	768
NI adjustment to Pension at State Pension Age	25	21	26	26	14	13	21	13	13	25	20	16
Pension Estimate	10	9	60	279	292	218	296	260	323	210	314	278
Pension Saving Statement	2	2	1	3	3	0	5	2	2	2	1	
Phone Call Received	3901	4143	3875	2127	2004	2109	1958	3146	3339	2498	3345	3454
Refund Actual	334	343	307	335	359	366	412	327	417	283	307	232
Refund Quote	638	510	485	476	681	538	656	627	903	625	611	242

Retirement Actual	451	453	342	348	379	270	314	279	299	276	345	357
Retirement Quote (old)	586	497	530									
Transfer In Actual	149	7	10	6	28	20	78	78	85	11	57	45
Transfer In Quote	251	84	8	7	31	60	100	120	133	57	70	89
Transfer Out Payment	18	13	31	36	38	20	27	16	21	16	28	26
Transfer Out Quote	327	349	323	153	97	61	372	222	262	188	185	207
Update Member Details	1641	981	2501	1471	1848	1790	1440	1098	1061	2302	2565	3557
TOTAL	14422	12757	13878	10686	10368	10658	11291	11531	12547	11196	13453	13514

ii. Processes started

The table below shows how much work has come into the section for the same period:

Processes started

PROCESSNAME	Sept 23	Aug 23	July 23	June 23	May 23	April 23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22
*Phone call - Contact Centre	2087	2326	2277	2687	2782	2563	2281	1747	1993	1345	1871	2025
AVC In-house (General)	109	110	77	131	161	92	100	67	80	58	88	84
Beneficiary to update	132	122	195	175	166	151	194	161	163	102	158	153
Change of Address	497	498	527	715	612	506	588	469	519	357	512	444
Deferred Benefit	1355	1645	1331	1238	1065	1132	1337	1103	823	809	1489	1220
Deferred Retirement Actual*	433	503	457	682	346	227	358	402	498	349	481	569
Deferred Retirement Quote	541	511	589	785	636	440	583	563	669	337	463	472
Divorce Quote*	68	72	65	71	62	54	76	67	80	43	57	49
Divorce Settlement	3	1	7	3	5	7	3	2	5	5	3	5
Estimate	8	11	9	236	334	208	288	301	413	177	307	267
Estimate for Deferred	6	3	1	3	2	7	12	14	5	4	7	5
Interfund Linking Quote	163	166	127	200	173	193	227	217	191	115	197	138
Interfund Out*	238	231	188	211	185	172	216	240	292	207	293	172

Life Certificate Received Person	36	31	69	147	297	687	643	369	59	39	82	126
Linking Interfund Actual	123	131	115	158	169	128	163	238	203	94	100	96
Monthly Postings	314	374	417	408	368	375	409	369	494	348	374	383
Phone Call Received*	232	270	272	318	292	288	308	283	280	156	277	351
Refund Actual*	355	359	340	324	383	341	471	352	494	265	316	272
Refund Quote	614	728	607	566	430	631	745	413	288	290	683	526
Retirement Actual *	478	349	478	369	415	317	375	287	310	255	362	366
SC5 Age 55 Increase	1	2		23	21	21	20	27	28	22	30	18
SC5 Death Grant to Set up and pay	83	86	103	80	98	75	97	81	69	48	87	102
SC5 Death In Deferment	22	14	11	11	19	23	18	11	36	16	20	20
SC5 Death In Retirement	331	331	310	392	322	349	396	407	584	339	355	307
SC5 Death In Service	16	13	9	11	7	11	11	12	20	4	18	2
SC5 NI Modification	21	16	29	43	41	48	34	51	17	22	19	18
SC5 Payroll Changes	306	275	361	333	446	505	783	345	315	215	331	304
SC5 Phone Call Received	36	39	39	58	74	118	90	64	51	23	48	49
SC5 Update Bank Details	173	235	171	179	177	180	231	228	162	115	185	167
Transfer In Actual*	155	51	7	9	21	45	107	110	89	47	58	52
Transfer In Quote	126	127	101	76	82	100	132	118	120	81	104	65
Transfer Out Quote *	256	270	259	237	234	225	256	240	255	167	268	229
Transfer out Actual	30	22	12	19	47	36	39	23	27	17	21	18
TOTAL	9348	9922	9560	11109	10472	10255	11599	9386	9636	6473	9667	9075

iii) Work outstanding

Current volume of work outstanding, split between the LGPS Funds is set out in the tables below. The main backlog falls into two areas – Early Leavers and linkings.

Work outstanding - Active

	WYPF	Hounslow	Barnet	Lincolnshire	Total
Sept-23	10755	1019	1975	4000	17749
Aug-23	11866	1095	2081	4173	19215
July-23	11573	1110	2195	3764	18642
June -23	13049	1103	2965	4410	21527
May-23	13504	1063	2183	4493	21243
April-23	13641	1001	2166	4525	21333
Mar-23	14184	1065	2389	4850	22488
Feb-23	unavailable	1047	2411	4956	8414
Jan-23	unavailable	1136	2415	4928	8479
Dec-22	unavailable	1057	2425	4637	8119
Nov-22	unavailable	1038	2454	4527	8019
Oct-22	unavailable	1185	2684	5070	8939

Active work is work currently in the system ready to work on. This has shown a gradual decrease over the period.

Work outstanding - Pended

	WYPF	Hounslow	Barnet	Lincolnshire	Total
Sept 23	8499	729	1278	3196	13702
Aug 23	7949	727	1240	2899	12815
July 23	8189	767	1278	2895	13129
June-23	7513	816	1279	2758	12366
May-23	7045	730	1132	2553	11460
April-23	7028	699	1128	2589	11444
Mar-23	6740	647	1089	2472	10948
Feb-23	unavailable	715	1178	2545	4438
Jan-23	unavailable	672	1151	2496	4319
Dec-22	unavailable	685	1188	2359	4232

Nov-22	unavailable	558	1215	2345	4118
Oct-22	unavailable	639	1098	2089	3826

Pended work is work that is awaiting further information from a Member, third party or Employer and cannot be progressed until received.

D) CEM Benchmarking

WYPF takes part in the CEM Pensions Administration Benchmarking Club which compares pensions administration cost and member services with a peer group of other schemes. CEM produces detailed benchmarking reports that compare the costs and performance of pension funds.

WYPF's service score was above the peer medium and our cost per member was below the peer average. The results show WYPF to provide a high performing, low cost administration function and puts us in the top quartile which is where all funds would want to be.

E) How we intend to meet/continue to meet KPIs and reduce work outstanding

Estimates

Members can now produce their own retirement pension estimates on the My Pension software, which can be accessed via the WYPF website. As a result we anticipate the numbers of requests to reduce over time. We will shortly be undertaking a communication exercise to make members aware of this facility.

Targeting Days

To assist in areas where we have backlogs we have introduced 'Targeting Days'. This is a dedicated morning each week to target backlog cases where the majority of the team work only on backlogs, such as deferred retirement quotes. To assist with target backlog cases further, overtime is available on a voluntary basis to process deferred retirement quotes.

Reports

We are currently developing and creating additional reports to help us monitor work at important checkpoints on a daily basis e.g. work creation, date which work is being completed in time, due date etc

Overtime

Overtime will continue to be available to officers to work on backlog processing and checking. The amount of overtime done varies so it is difficult to predict in advance the impact on the outstanding work. We are currently seeking approval from HR for Senior Pensions Officers to do overtime.

Transfers

Transfer in and out quotes are given a high priority within the team to ensure statutory deadlines and guarantee periods are met. Transfer out payments are also given a high priority within the team. Due to changes in regulations and guidance it is necessary to check all transfer calculations manually, which adds additional time to our work. Due to recent development within our pension administration system, UPM, we are confident calculations for non-complex cases are correct and will no longer need this manual check for the majority of cases.

Transferring benefits between funds or schemes is a very complex process from a Scheme member's perspective. We are therefore also reviewing our documentation and procedure to make the requirements clearer for Scheme members, which we expect to help improve efficiency in this area.

Linkings

We are developing and testing automation for Linking processes. Whilst this will not impact on cases already started it will automate new cases leading to improvements in performance.

CONCLUSION

Workloads across all LGPS Funds are likely to have increased over recent periods and the demands on Funds have never been greater. WYPF will continue to invest in staffing, training and development, review of systems and processes and automation to ensure that we continue to provide a high level of service to members.

This report will be updated with the statistical information on a monthly basis and used as part of the agenda for Collaboration Board meetings to track progress against volumes and performance.

Pension Managers will continue to receive the more detailed regular monthly reports for detailed discussion.

Regulatory Update

Department for Levelling Up, Housing and Communities (DLUHC)

GAD

SCAPE discount rate and actuarial factors – second batch

On 3 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared a second batch of actuarial factors for use.

The factors in the second batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. **Non-Club transfer in factors: tables x-209 to x-216.** The new factors are in force from 3 July 2023. Any cases on hold can now be processed using the new factors. Any interfund cases where the transfer value of final salary benefits will be used to buy additional pension in the CARE scheme can now be processed. Both the transfer out payment and the transfer in calculation should be based on the new factors.

2. **Non-Club transfer in with final salary link: table x-217.** The new factors are in force from 3 July 2023. If a member elects to complete a non-Club transfer with a final salary link where there is no guarantee on or after 30 March 2023, the new factors apply. If you supplied a guaranteed quotation before 30 March 2023, and the member replies within the guarantee period, use the old factors.

3. **Early retirement: table x-401.** The new factors are in force from 3 July 2023. If a member's early retirement date is 3 July 2023 later, the new factors apply. The new factors are lower than the ones in force before 3 July 2023. Any early retirement benefits already quoted will increase as a result of the change.

4. **Late retirement: table x-402.** The new factors are in force from 1 September 2023. A longer lead-in time has been allowed for these factors:

- to allow time for software changes to be made, and
- because some members' benefits may be lower using the new factors. LGPS benefits are increased for late retirement after Normal Pension Age (NPA):
- benefits built up before 1 April 2014 are increased if they are taken after age 65
- benefits built up from 1 April 2014 are increased if they are taken after State Pension Age, or after age 65 if this is later.

SCAPE discount rate and actuarial factors – third batch

On 28 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared the third batch of actuarial factors for use.

The factors in the third batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. Trivial commutation factors: tables x-501 to x-503. The new factors are in force from 28 July 2023. Where a quotation was provided before 28 July 2023 and the nominated date was before 28 July 2023, use the old factors. In all other cases, use the new factors

2. Inverse commutation factors: tables x-504 and x-505. If you have already provided a quotation and the retirement date was before 28 July 2023, use the old factors. In all other cases, use the new factors.

3. Scheme pays (Annual allowance) factors: table x-603. For a deferred or active member, if the election date was before 28 July 2023, use the old factors. If the election date is 28 July 2023 or later, use the new factors. If the member is over their Normal Pension Age (NPA), or if they make a Scheme 10 pays election when their retirement figures are already being processed, use the Lifetime Allowance factors – see 4 below. The relevant date for Annual allowance purposes is the ‘day coincident with the end of the pension input period’. For Annual allowance cases, it is not the relevant date which determines which factors are used, it is the Scheme pays election date.

4. Factors for calculating Lifetime allowance debit: tables x-609 and x-610. The Government has announced that no Lifetime allowance charges will apply in 2023/24 and the Lifetime allowance will be abolished completely from 6 April 2024. The LTA factors are still required as they are used to calculate certain Annual Allowance Scheme pays debits.

Change in early retirement factors – resources updated

We have updated the following resources to reflect the new early retirement factors that are in force from 3 July 2023:

- [Taking your pension](#) page of the LGPS member website www.lgpsmember.org
- Retirement planning guide for members – version 1.5 published
- Full guide for councillors - version 2.4 published

You can find the latest versions of our guides on the [Administrator guides and documents](#) page of www.lgpsregs.org.

Action: WYPF have updated the member guides and websites to reflect the new early retirement factors

Scheme Advisory Board (SAB)

Code of transparency roadshows

The Board’s secretariat is currently running a series of free in person training sessions on investment cost transparency. These are aimed at local pension board and committee members as well as fund officers.

The sessions will provide:

- an explanation of the purpose and background of SAB's ground-breaking code of transparency
- a case study from an LGPS fund on how investment cost information has been used
- a troubleshooting session on how to use the online reporting system – for officers only
- a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees – for officers only.

The first session took place in London on 21 June 2023. Informal feedback was very positive. The Board encourages people to attend. Five more sessions are planned, and places are still available. You can book online through the [LGA events page](#)

Scheme Annual Report 2022 On 26 June 2023, the Board published its tenth Annual Report.

The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board.

The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%
 - direct property – 3%
 - other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept)
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

Pension Dashboards

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the [Pensions Dashboards \(Amendment\) Regulations 2023](#) [SI2023/858]. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

Staging dates – TPR expectations

The Pensions Regulator (TPR) has updated its [‘Failing to comply with dashboards duties’ guidance](#). The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. The staging timetable will be set out in connection guidance.

TPR expects schemes to do the following to show that they ‘have regard to the connection guidance’:

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.
- A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach.
- Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. Amongst other considerations, this means that scheme managers:
 - should not make decisions about connection until they have engaged with the guidance
 - must be able to demonstrate that they have adequate governance and processes for making such decisions. The reasoning for the decisions should be clearly considered and documented, as should how relevant risks are identified, evaluated and managed
 - should make sure that they have access to all the relevant information before making decisions and acting on them. This includes engaging with those who are supporting them to develop a practical delivery plan. Clear and accurate audit trails need to be kept to demonstrate the decisions made, the reasons for them and the actions taken.
- A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of pension dashboards as early as possible.
- Continuing to prepare for dashboards by engaging with those who will support them with their dashboards duties, such as integrated service providers and administrators to:
 - assess the potential impact of these changes on their schemes

- agree a practical delivery plan, and
- continue activity on getting to grips with member data.

PDP latest news

In August 2023, the Pensions Dashboards Programme (PDP) published its [August newsletter](#). There are articles on:

- the reset
- Financial Conduct Authority updated rules
- frequently asked questions on pensions dashboards
- inviting PDP to an event

SAB

In May 2023, PDP [published their Progress update report on dashboards](#). There are articles on:

- the Department for Work & Pensions (DWP's) written ministerial statement on pensions dashboards connection times confirming that there will be an update before parliamentary recess in July
- programme reset following the written ministerial statement – reset got underway on 20 March and more information will be available before parliamentary recess in July
- consent comprehension research - a research into users' understanding of how their data will be used during the dashboards journey
- preparing for dashboards – connection, data, matching, awareness and understanding legal and regulatory obligations
- updates from DWP, the Financial Conduct Authority and the Pensions Regulator
- useful resources
- subscribing to PDP's newsletter

McCloud

McCloud remedy consultation

On 28 June 2023, we published our draft response to DLUHC's consultation and draft regulations on the McCloud remedy. See [bulletins 237 and 238](#) for more information.

You can access the consultation documents and our response on the Scheme consultations page of www.lgpsregs.org.

McCloud – unions granted right to appeal cost cap mechanism

The Court of Appeal has granted unions permission to appeal against the recent High Court judgment over the government's proposed method of meeting the cost of implementing the McCloud remedy in public sector schemes. See Bulletin 236 for more information.

Communications working group – McCloud resources

We are working with the Communications working group to produce member resources relating to the McCloud remedy. We will publish these as soon as we are able, but some details will need to be finished when we see the final regulations. It is likely we will publish some of the resources on 1 October 2023, once the amended regulations are in force.

We wanted to take this opportunity to let administering authorities know what resources we will be providing. We hope this will help prioritise what to produce locally.

We are working on:

- dedicated areas of the member websites (www.lgpsmember.org and www.scotlgpsmember.org) including information about the McCloud remedy, a video, frequently asked questions and an interactive tool for members to find out if they are affected
- a member factsheet in Word format that administering authorities can edit and adapt for their own use
- template paragraphs to add to existing member letters outlining how the McCloud remedy affects the calculation
- templates of new letters that will be needed for members affected by the McCloud remedy who have already left the LGPS

McCloud - ABS 2023 to 2025

On 30 August 2023, the Pensions Regulator (TPR) has published [guidance on annual benefit statements \(ABS\) for 2023 to 2025](#) for public service schemes.

The guidance is primarily aimed at those schemes who will need to send remediable service statements to members affected by the McCloud remedy. LGPS administering authorities will not need to this.

TPR acknowledges the need for schemes to send these statements over the next two years may impact on their ability to produce accurate, complete and timely annual benefit statements.

The guidance sets out TPR's expectations. TPR accepts meeting the disclosure requirements due to the McCloud remedy may be challenging. As a result, they will take a risk-based, practical approach when assessing ABS breaches during 2023 to 2025. Other news and update.



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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Data Quality Report

Summary:

This report updates the Committee on the data quality scores for Lincolnshire Pension Fund which is reported to The Pensions Regulator each year in November.

Actions Required:

That the Committee discuss the report and consider whether they wish to take any further actions.

1. Background

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

1.2 The current Data Scores for LPF are:

Common	96.18%
Scheme Specific	87.68%

2.0 Data Issues

2.1 Missing Addresses

There are 2,488 addresses' missing for deferred members. This is an increase of 107.

WYPF have a programme of tracing lost contact members on a rolling programme but it is inevitable that as we trace some members we lose track of others.

2.2 Missing Earnings

There are 481 records with missing earnings. This is an increase of 108. The majority of cases are awaiting leaver/pensioner benefits to be calculated.

2.3 Missing CARE Benefits

There are 313 records with missing Career Average Revalued Earnings (CARE). This is a decrease of 48. 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 Start Date Inconsistency

There are 4,489 records where the start date on the record is inconsistent with start date held on other record types. This is a decrease of 75.

2.5 No National Insurance Contributions or GMP

There are 5,284 records with missing National Insurance contributions or GMP. This is a decrease of 43.

2.6 Missing Benefit Crystallisation Details (LTA pension value missing – Lump sum element)

There are 76 records with missing benefit crystallisation details. This is a decrease of 1. The records which have the missing details are historic cases which we inherited when we took over the administration. The lump sum details were not available to populate the records but have been paid to the members in accordance with the scheme regulations.

2.7 Missing Annual Allowance Calculation

There are 725 records with missing annual allowance calculation. This is an increase of 384.

2.8 No Total Exit Guaranteed Minimum Pension (GMP) (Deferred)

There are 3,955 records with missing National Insurance contributions or GMP. This is an increase of 10.

2.9 No Post 88 GMP on record

There are 3,449 records with missing National Insurance contributions or GMP. This is a decrease of 20.

Please Note (for points 2.5, 2.8 & 2.9)

These are deferred or pensioner records inherited from the previous administration. At the time there was not a requirement to input the GMP data into a separate field as there is today.

The GMP amount is held on the original paperwork that has been stored on the member's record as a scanned document. The GMP has never been populated in a separate field on the record and cannot be identified in the digital data scores.

The value of deferred pensions and the value of pensions already in payment are and have always been correct.

We are working with Norfolk Pension Fund as one of the founder members of the National LGPS Framework to procure suppliers that can advance the current data quality. This is particularly in relation to postcodes which the Pension Dashboard will use as a matching criteria for members.

The tender documents have been issued at the beginning of November 2023 for Member Data Services. Responses are due back by Monday 18th December and arrangements will then be made for moderation sessions and provider demos. These will take place in February 2024 and after the evaluation and moderation has taken place the suppliers will be chosen.

3.0 Data Improvement Plan

- 3.1 As a result of the data scores WYPF has devised a Data Improvement Plan (Appendix A) 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 on a half yearly 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 We continue to make improvements to the reporting and engage with technology to find the missing information on member's records:

June 2023		November 2023	
Common	96.17 %	Common	96.18%
Scheme Specific	87.91%	Scheme Specific	87.68%

4.0 TPR Engagement

- 4.1 WYPF recently completed an engagement process with the TPR. TPR assessed WYPF on two key areas, Management & Governance and Systems & Processes.
- 4.2 TPR and WYPF met six times to discuss aspects of the administration. Discussions between TPR and WYPF were two way, honest and useful. Information and documentation were shared with TPR who in turn gave guidance and advice, some of which WYPF was able to act upon immediately, such as appropriate updates to the WYPF website.
- 4.3 The TPR provided a report which had an overall green (good) rating for both areas with additional recommendations for WYPF to consider.

5.0 Conclusion

- 5.1 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.
- 5.2 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.
- 5.3 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.

6. Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Pensions Manager.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Data Improvement Plan

8. 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 Matt Mott, who can be contacted at Matt.Mott@wypf.org.uk

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Lincolnshire Pension Fund

Data Improvement Plan

1. Introduction

- 1.1 This document defines the data improvement plan for Lincolnshire Pension Fund (LPF) 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 LGPS 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 (tPR) 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 administrator 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 WYPF Officers

- WYPF 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

- WYPF 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.
- WYPF 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. Ongoing 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 - Data Quality scores and errors
- Appendix B - Work planned to deal with the data errors identified

Appendix A - Lincolnshire Pension Fund results at November 2023

	Nov 21	Jun 22	Nov 22	Jun 23	Nov 23
TPR Score - Common	95.78%	96.06%	95.97%	96.17%	96.18%
TPR Score - Conditional	84.38%	86.54%	86.04%	87.91%	87.68%

Breakdown of activities for improvement

	Nov 21	Jun 22	Nov 22	Jun 23	Nov 23	Direction of travel
Count of Missing, Bad or Temp NI Number	70	67	73	67	63	
Count of Bad Date of Birth	1	1	1	1	1	
Count of Address Missing	3,164	3,055	3,164	3,027	3,084	
Count of No Date Joined Scheme	0	0	1	1	0	
Count of No Folder Status History	0	0	1	1	4	
Count of Folder Status / Status History Mismatch	15	18	34	45	33	
Count of Multi Folder Status History Entries on Same Day	62	65	61	70	51	
Count of Missing or Bad Expected Retirement Date	1	1	1	1	0	
Count of No Folder Scheme History	61	59	59	59	58	
Count of no NI contributions or GMP	6,381	5,466	5,416	5,327	5,284	
Count of no Date of Leaving	1	1	1	0	0	
Count of missing benefit crystallisation record	36	35	35	38	37	
Count of missing benefit crystallisation details	642	701	736	77	76	

Count of Missing Earnings	672	869	793	373	481	
Count of Invalid Transfer In Present	152	168	172	207	222	
Count of Invalid Part Time Service Present	63	63	63	63	62	
Count of Missing CARE Benefit	275	274	271	361	313	
Count of Missing CARE Revaluation Rate	30	27	30	114	69	
Count of Invalid Contracted Out Date	20	20	20	20	20	
Count of Missing Initial Pension (Def)	45	50	49	47	44	
Count of Missing Initial Care Pension (Def)	130	128	127	123	120	
Count of Missing current Pension	1,753	1,340	1,323	1,299	1,258	
Count of Missing CARE Initial Pension	33	34	34	36	34	
Count of missing annual allowance calculation	321	106	874	341	725	
Count of start date inconsistent	4,838	4,769	4,696	4,564	4,489	
Count of deferred – No total exit GMP	4,975	3,995	3,977	3,945	3,955	
Count of No post 88 exit GMP	4,006	3,531	3,511	3,469	3,449	

Appendix B

Data Category	Category	Priority	Resolution required	Responsibility	Progress	Deadline
Missing Ni Number	Common	Low	Ni number to be identified where possible	Service Centre /Comms	Ongoing	Ongoing
Date of Birth	Common	Medium	Interrogate record	Service Centre		Nov 25
Missing Address	Common	Medium	Deferreds and preserved refunds use tracing agency	IT	Ongoing	Mar 24
Folder Status/ Status History mismatch	Common	Medium	Review cases as it appears there might be changes to folder status from monthly postings?	Finance		Nov 25
Multi folder Status history entries on Same day	Common	Low	Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 26
Missing or bad expected retirement date	Common	Low	Interrogate records	Service Centre		Nov 26
No folder scheme history	Common	Medium	Interrogate records	Service Centre		Nov 25
Missing earnings	Scheme specific	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	Low	Interrogate records	Service Centre		Nov 26
Missing CARE benefit	Scheme specific	High	Majority awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets

Missing CARE revaluation rates	Scheme specific	High	Majority awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Invalid contracted out date	Scheme specific	Low	Interrogate records	Service Centre		Nov 26
Missing initial pension (DEF)	Scheme specific	Low	Possible bare EPB cases. To interrogate and sample records	IT		Nov 26
Missing Initial CARE Pension(DEF)	Scheme specific	Low	Interrogate records and spot check a number of cases as it might be where the member joined right at the end of the year and no care benefits	Service Centre	Ongoing	Nov 26
Missing CARE initial Pension	Scheme specific	Low	Interrogate records	Service Centre		Nov 26
Missing NI contributions or GMP	Scheme specific	Medium	IT to refine the report	IT		Nov 25
Missing Date of Leaving	Scheme specific	Low	Interrogate records	Service Centre		Nov 26
Missing benefit crystallisation record	Scheme specific	Low	Interrogate records	Service Centre		Nov 26
Missing benefit crystallisation details	Scheme specific	Medium	IT to consider bulk update	IT		Nov 25
Missing current pension	Scheme specific	Medium	IT to refine the report	IT		Nov 25
Missing annual allowance	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 26

Start date inconsistency	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 26
Deferred – No Total exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 26
No total exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 26
No post 88 exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 26
Invalid Transfer in present	Scheme specific	Low	Interrogate records	Service Centre		Nov 26
No date joined scheme	Scheme specific	Low	Interrogate records	Service Centre		Nov 26

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, Deputy Chief Executive and Executive Director - Resources

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Annual Employer Activity and Monitoring Report

Summary:

This paper provides the Committee with information on employer activity and compliance with the regulations over the last year (November 2022 to October 2023).

Recommendation(s):

That the Committee consider the report and if there is any further information they would like to see about employers within the Lincolnshire Pension Fund.

Background

1.1 This report brings to the Committee information on the employers within the Lincolnshire Pension Fund. Employers have a range of statutory responsibilities which are monitored by the Fund and West Yorkshire Pension Fund as our administrators. This report summarises the last twelve months' activity for the Committee.

2.0 Employer Activity

2.1 Table one below sets out the changes in employer numbers seen over the period 1 November 2022 to 31 October 2023.

Table one: Employer Activity

New Academies and Education Trusts	5
New Town and Parish Councils	1
New Admission Bodies	5
Total number of new employers	11
Employers Exited	3
Total number of employers	257

2.2 The fund has seen a small increase in employers joining the Fund. All new academy schools in Lincolnshire are required to join the Fund and during the previous 12 months there were five new academy schools. Parish and town councils have the option of joining the scheme. During the past year one new parish council has enrolled in the scheme.

2.3 New admission bodies arise when an existing scheme employer outsources provision of services to a third-party provider. Most commonly they are for the provision of catering or cleaning services in academy schools. These also make up the majority of exiting employers, when contracts come to an end or where the last active member leaves the employment of the admitted body.

3.0 Payment of Monthly Contributions

3.1 All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as 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, or is incorrect.

3.2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers, as well as checking the data for errors, raising queries, and identifying where further information is required from the employer (e.g. additional leavers' information). This is monitored and reported internally to pension fund managers on a monthly basis. A summary of all late contributions or data submissions covering the period from November 2022 to October 2023 is set out in table two below.

Table two: Late contributions and data submissions

Month	Payment of Contributions		Submission of Data		Payment of Contributions and Submission of Data		Data and Payments do not Match / Incorrect Rate	
	Count	Rate	Count	Rate	Count	Rate	Count	Rate
November	2	0.7%	3	1.1%	1	0.4%	2	0.7%
December	7	2.5%	0	0.0%	1	0.4%	1	0.4%
January	2	0.7%	5	1.8%	0	0.0%	7	2.5%
February	3	1.1%	2	0.7%	1	0.4%	4	1.4%
March	2	0.7%	0	0.0%	0	0.0%	2	0.7%
April	1	0.4%	10	3.6%	0	0.0%	2	0.7%
May	2	0.7%	11	4.0%	0	0.0%	2	0.7%
June	4	1.4%	9	3.2%	2	0.7%	0	0.0%
July	0	0.0%	1	0.4%	0	0.0%	1	0.4%
August	1	0.4%	6	2.2%	2	0.7%	4	1.4%
September	3	1.1%	5	1.8%	1	0.4%	0	0.0%
October	2	0.7%	5	1.8%	0	0.0%	2	0.7%
Total	29		57		8		26	

- 3.3 Overall, employer contribution compliance is good. The Fund has consistently seen late contribution rates at less than 5.0% (often significantly below), with no worrying trends being identified. There was a spike in late data submissions in April, May and June 2023. The reason for this was several employers changed their payroll providers on 1 April 2023, leading to a few months of poor performance whilst these relationships were built. During this period the employers in question and their payroll providers were regularly contacted to ensure any outstanding issues were dealt with promptly.
- 3.4 None of the 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.
- 3.5 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. Other occasions where an employer will be issued a fine are where there are persistent issues with data quality, or where particular issues of data quality are not resolved in a timely manner. The Fund generally sees three months as sufficient time for an employer to rectify issues, once notified. Fines are currently set at a minimum of £136. Table three sets out the number of fines issued over the period.

Table three: Late contributions fines

November	December	January	February	March	April
1	0	0	0	0	0
May	June	July	August	September	October
1	0	3	0	3	1

- 3.6 Over this period nine fines were issued. Three of the fines related to late cash and/or data. This figure is low and is reflective of the employer contributions monitoring work completed on an on-going basis.
- 3.7 The remaining six fines related to data quality. Of the six instances relating to data quality, four related to areas of low concern and were dealt with via regular communications with the employer and payroll provider and have been successfully concluded. The two remaining cases, both relating to Multi-Academy Trusts (MATs), were more complex and required significant input from the WYPF Pension Fund Representative and Finance Technician in the Fund team to resolve. In both cases the issues are expected to be fully resolved by the end of 2023, and data quality standards restored to the previous good levels.

4.0 Work with Employers

- 4.1 Throughout the year the Fund and West Yorkshire, as the Fund’s administrator, have undertaken work with employers to assist them with their statutory responsibilities and improve the quality of their employee records.
- 4.2 The Fund held its annual employer meeting virtually in February 2023. The event covered: a general fund update, the view from an employer representative on the Pension Board, updates from the shared service and on administration issues, and a presentation on shared cost AVC’s. Attendance at these events has decreased in recent years, therefore we are currently consulting with employers to understand how they would like these events will operate in the future.
- 4.3 The West Yorkshire Employer Relations Team deliver a wide range of online training sessions based on themes to prepare employers for upcoming requirements and responsibilities. These courses are offered to all employers and cover a wide range of topics from general training ranging from an introduction to the LGPS and employer responsibilities to specific training on final and pensionable pay and dealing with pension queries from the administrator. Appendix A provides details of the courses delivered over the last 12 months. West Yorkshire also run an employer engagement forum which is held on an ad hoc basis this covers key operational messages as well as provides information and guidance from officers at WYPF and or relevant guest speakers.
- 4.4 In addition to the training offered to all employers, the Employer Relations Team work directly with employers and payroll providers to offer one to one support and training. Table four sets out details of formal meetings held, although there will be a significant amount of informal contact with employers throughout the year.

Table four: Employer Relations Team Activity

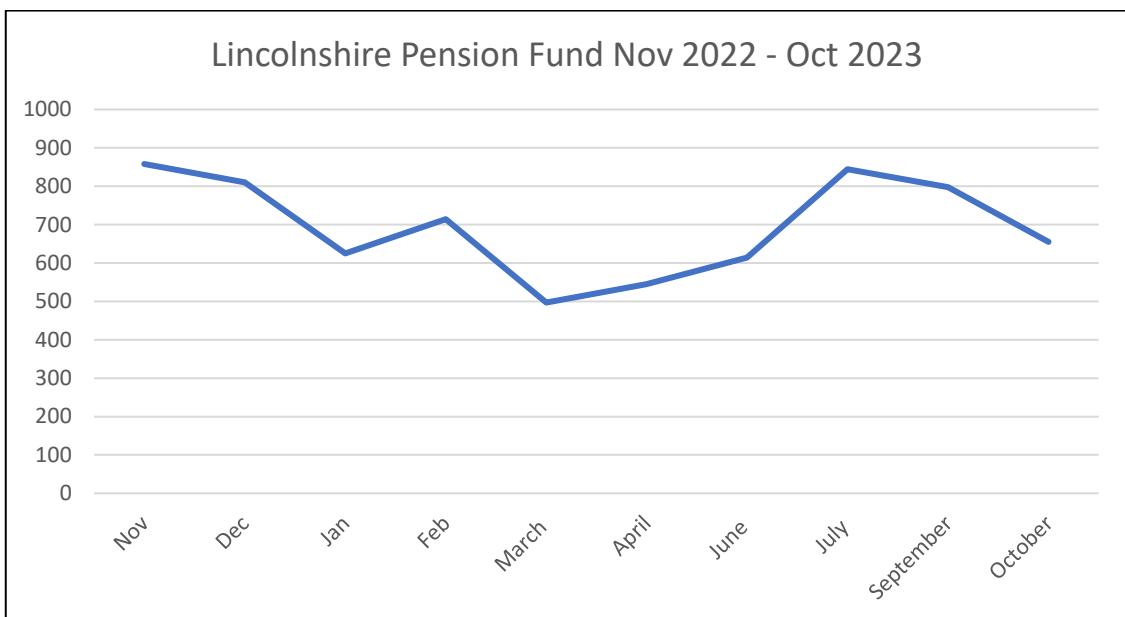
Activity	Number
Payroll provider liaison meetings	10
Employer support (online)	34
Employer support (in person)	7
Member meetings (in person)	4
LPF members only presentations	1

- 4.5 Over the past 12 months one of the main objectives of the Employer Relations Team has been to ensure that all employers have a discretionary policy in place and that West Yorkshire hold a copy of each employer’s policy. It is a regulatory requirement for all LGPS employers to have and publish a policy on the mandatory discretionary areas. These apply to all current active member around the following areas: shared cost additional pensions contributions (SCAPC); flexible retirement; whether to waive actuarial reduction where a member takes benefits before NPA; and whether to award additional pension (cost to employer). In addition, they include whether to apply the 85-year rule to take benefits between 55 and 60 on voluntarily retirement

and whether to agree to waive actuarial reduction on compassionate grounds in respect of members who have pre 2014 membership. By October 2023, policies had been received from 89% of employers (an increase from 70% a year earlier). Work will continue with the outstanding employers to ensure policies are in place and held by West Yorkshire.

- 4.6 The West Yorkshire team have been targeting employers with outstanding leavers and working closely with them to reduce those numbers. Outstanding leavers relate to members where employers have notified WYPF that they have left via the monthly data file, however an electronic leaver form has not been received therefore stopping WYPF from being able to update the status of the record, and enable any refund or deferred benefits for the member calculated. As a result of this targeted work, during the period, there has been almost a 24% reduction in the number of outstanding leavers and the total number of outstanding leavers is around 3% of the total active membership. Table five shows the outstanding volumes over the last year.

Table five: Outstanding leavers



5.0 2022 Triennial Valuation Data Review

- 5.1 As part of the 2022 triennial valuation, the actuary provided details on the quality of data submitted to them to complete the valuation. This reports data quality at an overall fund level and at individual employer level. The purpose of the report is to use the data submitted as part of the 2022 triennial valuation to ascertain if any employers are flagged as a material concern across a wide range of criteria.
- 5.2 Overall at fund level Lincolnshire Pension Fund had an error rate of 1.1%. A copy of the actuary’s report is attached at Appendix B.

- 5.3 The individual employer data analysis provided to the Fund has been used to target intervention at those employers who were flagged as having poor quality data. After further analysis thirty-one employers were identified for further work based on their individual employer data quality ranking, employer size and knowledge of the employer.
- 5.4 Pension Fund Representatives from WYPF were asked to produce membership audits for the employers identified. These were sent out to employers in September 2023, and employer engagement with these has been positive.
- 5.5 The actuary will provide this type of reporting after each triennial valuation. The Fund will use this to build up a more detailed picture to target future work with employers.

Conclusion

- 6.1 This report provides the Committee with an overview of employer activity and compliance with the regulations over the period November 2022 – October 2023. Employer engagement continues to be positive, and the performance of the Fund’s employers is largely good.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	West Yorkshire Employer Training Courses
Appendix B	Barnett Waddingham - Data Quality Report 2022

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 Claire Machej, who can be contacted on 01522 553641641 or claire.machej@lincolnshire.gov.uk.

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Appendix A

Appendix A

West Yorkshire Employer Training Courses

2022/2023	
03/11/2022	IDRP
10/11/2022	Authorised contacts & outsourcing payroll
15/11/2022	Introduction to the LGPS
22/11/2022	Employer Roles & Responsibilities
29/11/2022	Employer Discretions
06/12/2022	IDRP
13/12/2022	Authorised contacts & outsourcing payroll
17/01/2023 10:00	Authorised contacts and your year-end responsibilities
24/01/2023 10:00	Completing your march return: steps to success
31/01/2023 10:00	Understanding CPP (pay for CARE pension)
07/02/2023 10:00	Understanding Final Pay
14/02/2023 10:00	Assumed Pensionable Pay
23/02/2023 14:00	Authorised contacts and your year-end responsibilities
02/03/2023 14:00	Completing your march return: steps to success
09/03/2023 14:00	Understanding CPP (pay for CARE pension)
16/03/2023 14:00	Understanding Final Pay
23/03/2023 14:00	Assumed Pensionable Pay

2023/2024	
04/05/2023 14:00	Blocks and Quarantines P1
11/05/2023 14.00	Blocks and Quarantines P2
18/05/2023 14.00	Walk through the online leaver form
25/05/2023 14.00	Information needed for HMRC checks
30/05/2023 10.00	Blocks and Quarantines P1
06/06/2023 10.00	Blocks and Quarantines P2
13/06/2023 10.00	Walk through the online leaver form
20/06/2023 10.00	Information needed for HMRC checks

Lincolnshire Pension Fund

Data quality report as at 31 March 2022

Introduction

The purpose of this document is to provide a summary of the data quality of the membership data submission named BW 2022 final data and dated 31 March 2022 in respect of Lincolnshire Pension Fund (the Fund). The data quality has been measured taking into consideration the checks that we would carry out for an actuarial valuation only and **should not** be used as a measure of data quality with respect to the Pension Regulator's requirements.

This report is provided to West Yorkshire Pension Fund as administering authority to the Fund. The Fund is part of the Local Government Pension Scheme (LGPS). The report has been generated directly from our online LGPS Data Checker which is available to the administering authority as a data cleansing resource. The report may be shared with the employers participating in the Fund but it does not constitute advice to them.

Checking process

The data has been uploaded to the online data checker by the administering authority in the universal data capture (UDC) format agreed by the LGPS software providers and Fund Actuaries as being suitable for actuarial valuation purposes, and confirmed as being a submission relating to the whole Fund. A number of automatic checks were then carried out which assessed the data for reasonableness as well as consistency with the previous base membership data dated 31 March 2022. The checks are split into three different levels depending on their significance.

Level 1

- Potential problems that directly affect our ability to value members accurately
- Examples include missing date of birth, or potentially incorrect salary information

Level 2

- Less important issues for which reasonable estimates can be made if necessary
- For example, checking the Critical Retirement Date is within a reasonable range.

Level 3

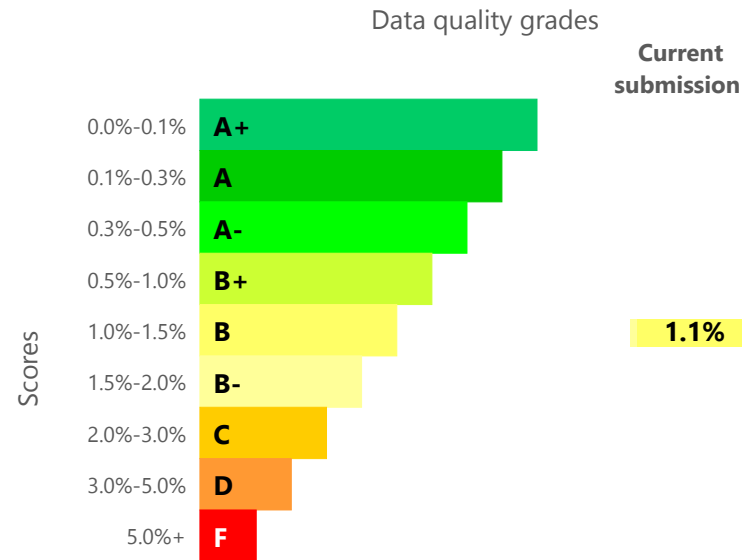
- Minor issues which are flagged for completeness
- For example, missing spouse pension for active members

Results

The main indicator we use for data quality is the **failure percentage**, which is the ratio of the number of checks which failed the tests to the total number of checks run - the lower the failure percentage the higher the perceived quality of the data. The failure percentages are determined separately for each extract type (active, deferred, undecided, pensioner, and dependant) and check level (1, 2, and 3). From this we calculate a combined **data quality grade** for the whole membership data submission. The grade takes the relative importance levels of the different checks into account. The individual failure percentages for the whole submission can be found in Appendix 1 and details on how the score is calculated can be found in Appendix 2.

Grade results and comments

Our data quality score ranges from A+ to F with a higher grade indicating a higher quality of the data, as shown in the graph to the right. The current submission has an overall data grade of **B**.



Main data issues

In order to help identify the main issues with the submission, we have listed checks below that were failed in significant proportions. For the purposes of the review, we have considered all level 1 checks that were failed in more than 5.0% of cases and all level 2 checks that were failed in more than 10.0% of cases. We have not considered any level 3 checks as these are considered to be minor.

Note that not all checks are run for all members in a particular status. For example, checks on Full-Time Equivalent (FTE) salaries are only carried out for currently active members who joined the LGPS prior to 1 April 2014. In addition, some checks are not run if a member fails a particular check. For example, if FTE is missing in an active member's record then we do not carry out any further checks on FTE.

Check Name	Data item	Member Status	Importance level	Number of failures	% of cases failed
Pensionable pay (50:50) exists (if relevant)	Pensionable Pay 50:50 (LGPS 2014 Definition)	Act	1	32	46.4%
Final salary pension (65) is within £1k of expected value	Revalued Age 65 pre 2014 Pension (£ p.a.)	Act	2	144	18.0%
Pensionable pay (2014) exists	Pensionable Pay (LGPS 2014 Definition)	Act	1	3,382	15.5%
Date of pensionable pay (2014) is after last valuation date	Date of Pay (LGPS 2014 Definition)	Act	1	3,217	14.7%
Date of CARE pot is after last 31 March	Date accrued CARE Pension Pot (£) revalued to	Act	1	3,462	14.4%
Final salary lump sum (CRA) is within £5k of expected value	Revalued Lump Sum (£) Payable at CRA	Act	2	36	12.0%
Child member is aged between 0 and 25	Date Of Birth	Dep	1	16	10.2%

A comprehensive list of the number of records failing each check can be found within the submission on the LGPS Data Checker.

Employer summary

The submission included a total of 213 Fund employers. Of these employers, 20 have a data quality grade of D or below. The contribution of the data scores over the whole submission is visualised in the graph below.

Employer data quality grades

A+	A	A-	B+	B	B-	C	D	F
8.9%	2.3%	6.1%	13.1%	20.7%	22.1%	17.4%	6.6%	2.8%
19	5	13	28	44	47	37	14	6

Employers with low measured data quality

Below we have listed the employers with a measured data quality grade D or below.

Employer Name	Employer Code	Number of checks run	Weighted average failure percentage	Data quality grade
Easy Clean Contractors (Linchfield)	P20043	36	9.1%	F
Carlton Cleaning	P20066	42	8.7%	F
Friskney All Saints CofE Primary Academy	P40193	1006	5.7%	F
Surfleet Primary Academy	P40190	790	5.2%	F
Gedney Church End Primary Academy	P40200	841	5.2%	F
Taylor Shaw (Branston Academy)	P20038	89	5.0%	F
Branston C of E Infants School	P40148	1048	3.9%	D
Caterlink (Walton Girls School)	P20058	306	3.8%	D
Lincoln Anglican Academy Trust	P40114	1562	3.8%	D
Caterlink (David Ross Education Trust)	P20062	235	3.8%	D
Infinity Academies Trust (Head Office)	P40203	134	3.7%	D
Mercer's Wood Academy	L0736	7070	3.6%	D
Washingborough Academy	L0703	2767	3.4%	D
St Michaels Church of England Primary School	P40156	3077	3.3%	D
Anthem Schools Trust	P40205	232	3.2%	D

Employer Name	Employer Code	Number of checks run	Weighted average failure percentage	Data quality grade
Kirkby la Thorpe CofE Primary Academy	L0527	1907	3.2%	D
Lincoln Our Lady of Lincoln Catholic Primary School	L0516	21322	3.1%	D
Lincoln Westgate Academy	L0884	3655	3.1%	D
Lutton St Nicholas Primary School	P40201	1274	3.0%	D
St Nicholas CoE Primary School	P40169	1421	3.0%	D

A comprehensive ranking of the employers for the individual extracts can be found within the submission on the LGPS Data Checker.

Appendix 1 Failure summary

The following table shows a summary of the checks carried out, the checks failed and the resulting failure percentage split by extract type and check level.

Extract type		Level 1	Level 2	Level 3	Total
Active	Checks run	638,439	453,482	77,878	1,169,799
	Checks failed	10,492	2,773	17,559	30,824
	Failure percentage	1.6%	0.6%	22.5%	2.6%
Deferred	Checks run	521,444	379,316	83,797	984,557
	Checks failed	24	1,069	32	1,125
	Failure percentage	0.0%	0.3%	0.0%	0.1%
Undecided	Checks run	37,976	9,870	0	47,846
	Checks failed	0	255	0	255
	Failure percentage	0.0%	2.6%	0.0%	0.5%
Pensioner	Checks run	325,913	144,252	49,668	519,833
	Checks failed	164	365	10	539
	Failure percentage	0.1%	0.3%	0.0%	0.1%
Dependent	Checks run	39,338	18,227	3,413	60,978
	Checks failed	14	18	0	32
	Failure percentage	0.0%	0.1%	0.0%	0.1%
Total	Checks run	1,563,110	1,005,147	214,756	2,783,013
	Checks failed	10,694	4,480	17,601	32,775
	Failure percentage	0.7%	0.4%	8.2%	1.2%

Appendix 2 Determination of data quality grade

The grade is based on the weighted average failure percentages across all statuses and levels as shown in Appendix 1 and broken down below. The weights used take the amount of checks run for each extract and the relative importance of each of the check levels into account

	Weights by checks run	Level 1	Level 2	Level 3
Weights by level		70%	25%	5%
Active	42.0%	29.4%	10.5%	2.1%
Deferred	35.4%	24.8%	8.8%	1.8%
Undecided	1.7%	1.2%	0.4%	0.1%
Pensioner	18.7%	13.1%	4.7%	0.9%
Dependent	2.2%	1.5%	0.5%	0.1%

Applying these weights leads to a weighted average failure percentage of **1.1%**. This has been translated into a grade **B** as shown in the chart below.

Weighted failure %s	0.0% - 0.1%	0.1% - 0.3%	0.3% - 0.5%	0.5% - 1.0%	1.0% - 1.5%	1.5% - 2.0%	2.0% - 3.0%	3.0% - 5.0%	5.0% - 100.0%
Data grade	A+	A	A-	B+	B	B-	C	D	F

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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	Annual Report and Accounts 2022/23: The External Auditor's Audit Completion Report

Summary:

This report brings to the Pensions Committee the Audit Completion Report from Mazars, the Fund's External Auditor, on the 2022/23 audit of the financial statements.

Recommendation(s):

That the Committee consider the report and discuss the feedback from the external auditor in the Audit Completion Report.

Background

1.1 The Pension Fund Annual Report and Accounts for the year ended 31 March 2023 have been completed and were approved by this Committee at its meeting on 13 July. They have now been independently audited by the Fund's external auditors, Mazars.

2.0 Statement of Accounts

2.1 Over the summer, the majority of unquoted holdings 31 March valuations were received and, after review by Pension Fund Officers, incorporated into the Pension Fund Accounts. The total impact of these updated valuations was a £7.896m increase in asset values (across private markets, infrastructure, and property venture). Following this adjustment, the final two 31 March valuations were received in early October. They reduced the overall asset value by £0.109m. No change has been made to the accounts for this movement as it is not deemed to be a material change.

2.2 In addition to the above adjustments, a small number of narrative and disclosure amendments, identified by the External Auditor during their technical review of the accounts, have been made. They include the removal of non-material notes

and accounting policies relating to contingent assets and liabilities. The Additional Voluntary Contribution information was also received over the summer and has been incorporated into the final version of the accounts.

3.0 Audit Completion Report

3.1 A copy of the External Auditors Audit Completion Report (ACR) is attached to this report at appendix A. This details the findings from their work on the Pension Fund financial statements completed to November 2023 and summarises the work required to complete the audit.

3.2 In summary, the key points to note are:

- Status of the Audit (Section two): The auditor still has work to complete on:
 - Testing investment assets: completing checks on the valuations received from the Fund's investment managers and custodian;
 - Finalised financial statements: to check updated valuation information has been incorporated in the final version of the accounts; and
 - Audit quality control and completion procedures: including specific procedures carried out in relation to the significant audit risks identified and the final review of the audit work by the Key Audit Partner.
- Significant Findings (Section four):
 - The review of management override of controls has not highlighted any issues to bring to the Committee's attention; and
 - Valuation of investments within level 3 of the fair value hierarchy: subject to completion of the work highlighted in section two should provide the assurances required but highlights that a number of updated valuation statements have been received by the Fund since the date the accounts were published in draft at the end of June.
- Internal Control Recommendations (Section five): No material internal control recommendations have been identified to date.

3.3 The outstanding work has now been completed, with no issues identified and the External Auditor has issued an unqualified audit opinion for the Pension Fund accounts, alongside the audit opinion on the Lincolnshire County Council accounts. A copy of the ACR follow up letter is attached at appendix B, which details the conclusion for the pending matters mentioned in the ACR, and their comments are set out below:

- Testing investment assets: for this area of significant risk we have undertaken the remaining work required to gain comfort on the value of the investments held, including those where market and supporting information was not readily available. We have completed our work on the valuations received

from fund managers and custodian with no issues arising which we need to bring to your attention;

- Finalised financial statements: we have completed our work with no issues to note; and
- Audit quality control and completion procedures: we have completed this work with no further issues to report.

4.0 Annual Report

4.1 The Pension Fund Annual Report was published, in draft, for the statutory deadline of 1 December. It has now been republished including the consistency opinion from Mazars.

Conclusion

5.1 The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2023 is complete and the external auditor, Mazars, has issued an unqualified audit opinion. The consistency opinion on the Annual Report has been issued and the updated Annual Report has been published.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Completion Report (November 2023)
Appendix B	Audit Completion Report follow up letter

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 Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

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Audit Completion Report

Lincolnshire Pension Fund – Year ended
31 March 2023

November 2023

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- 05** [Internal control recommendations](#)
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[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Draft consistency report](#)

[Appendix D: Independence](#)

[Appendix E: Other communications](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Audit Committee
Lincolnshire County Council
County Offices
Newland, Lincoln
LN11YL

2 November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 25 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 078 1375 2053.

Yours faithfully

Signed: 

Cameron Waddell (Key Audit Partner)

Mazars LLP

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work completed to date there are no identified significant control deficiencies and no unadjusted misstatements that we are required to report to the Audit Committee.

Status and audit opinion

Our audit in respect of the financial statements for the year ended 31 March 2023 is well progressed. At this present time we envisage giving our opinion alongside the opinion on Lincolnshire County Council's financial statements.

At the time of preparing this report, there are some matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Lincolnshire County Council. Our draft consistency report is provided in Appendix C.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No objections or questions from local electors have been received.

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02


Section 02: **Status of the audit**


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2. Status of the audit

Our work is well progressed and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Testing of investment assets		We are completing our checks on the valuations the Fund has received from fund managers and the custodian.
Finalised financial statements		The Pension Fund has revised its financial statements to reflect the updated valuations it has received from fund managers. We are completing our checks on the updated financial statements before giving our opinion.
Audit Quality Control and Completion Procedures		Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is yet to undergo the final stages of review by the Key Audit Partner. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

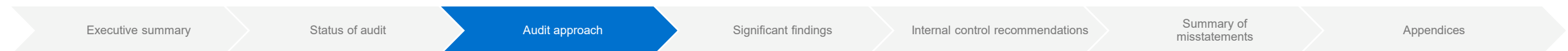
We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £30.5 million using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £13.5 million at the planning stage of the audit using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £30.5 million.
- Fund account specific materiality £13.5 million.



04

Section 04: **Significant findings**

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4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We currently envisage concluding that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.</p>

4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy	Description of the risk
	<p>At 31 March 2023 the Pension Fund held investments which were not quoted on an active market with a fair value of £571.1 million, accounting for 18.8 per cent of the Fund's net investment assets. This included: the Private Markets portfolio (£455.3 million), Property (£41.2 million), Infrastructure (£68.5 million) and Private Equity (£6.1 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2022/23 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agreeing the valuation included in the Pension Fund's underlying financial systems to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agreeing holdings from fund manager reports to the custodian's report; • agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; • reviewing the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; • where audited accounts are available, checking that they are supported by a clear opinion; and

Valuation of investments within level 3 of the fair value hierarchy (cont'd)	How we addressed this risk (continued)
	<ul style="list-style-type: none"> • where available, reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.
	<p>Audit conclusion</p> <p>Our work in this area is ongoing. Work completed to -date has highlighted a non-material difference of £7.8 million between the valuation of investments in the initial set of accounts prepared and the final version of the accounts on which we will be giving our opinion. This difference resulted from the timing of valuations received from fund managers, these are proactively tracked by fund officers to ensure the final set of accounts reflect the most up to date information available. The adjusted misstatement involved is detailed on page 18 of this report.</p>

4. Significant findings

Qualitative aspects of the Trust's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2023.

Draft accounts were received from the Fund on 12 May 2023 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Fund these challenges were overcome.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.

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Section 05: **Internal control recommendations**

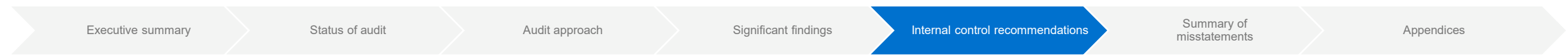
5. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported in this section are limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work has not identified any internal control issues to bring to your attention.

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06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit to date, above the trivial threshold for adjustment of £0.9 million. Where the draft accounts are formally signed and published in accordance with the Regulations any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The non-material change to the accounts detailed below was identified and proposed by officers from proactively tracking the asset changes from the information received. There are no unadjusted misstatements in relation to the Pension Fund's 2022/23 financial statements. The table below outlines the misstatements that have been adjusted by management.

Adjusted misstatements

		Fund Account		Net Assets Statement	
		Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds Cr: Change in Market Value Difference between valuation of unquoted investments per pension fund accounts and third party confirmations received after the year-end.		7.896	7.896	
Total adjusted misstatements			7.896	7.896	

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Disclosure amendments

A number of minor disclosure amendments regarding the wording used were made in response to the initial review of the Pension Fund's financial statements by our technical team. All such matters have been addressed in the updated version of the Pension Fund's financial statements, however further minor disclosure amendments regarding the wording used may be required in response to the final review of the Pension Fund's financial statements by our technical team. It is also worth noting that outstanding information regarding Additional Voluntary Contributions (AVCs) has now been made available, this information will be incorporated into the finalised financial statements.

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P: Draft management representation letter

R: Draft audit report

C: Draft consistency report

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E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

XX December 2023

Dear Cameron

Lincolnshire Pension Fund - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

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Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

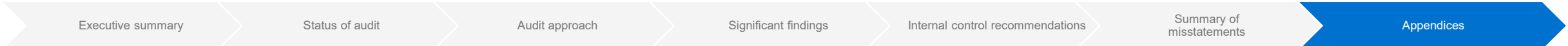
Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

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Appendix A: Draft management representation letter

Assets

• I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund’s related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

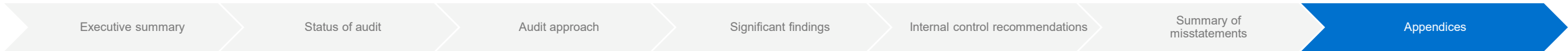
Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly

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Appendix A: Draft management representation letter

Impact of Russian Forces entering Ukraine

I confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Covid-19

I confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Pension Fund, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

I confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Banking crisis

I confirm that we have assessed the impact on the Pension Fund of the on-going Global Banking challenges, in particular whether there is any impact on the Pension Fund's ability to continue as a going concern, and on the post balance sheet events disclosures. In this regard we confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

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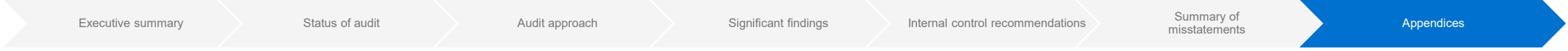
Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Pension Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Pension Fund's needs. We believe that no further disclosures relating to the Pension Fund's ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Executive Director of Resources

Date.....



Appendix B: Draft audit report

Draft Independent auditor’s report to the members of Lincolnshire County Council Report on the audit of the financial statements

Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund (‘the Pension Fund’) for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

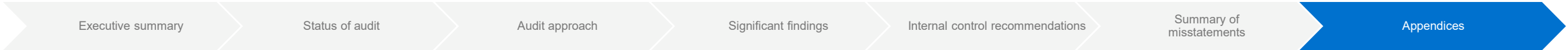
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

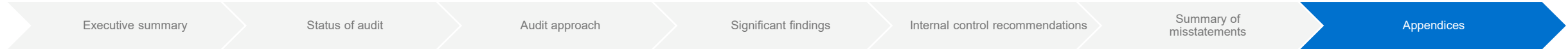
We have nothing to report in this regard.

Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management], as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Executive Director of Resources incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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Our audit procedures in relation to fraud included but were not limited to:

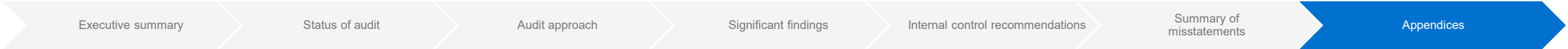
- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

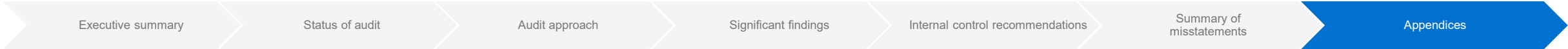
We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Cameron Waddell
 for and on behalf of Mazars LLP
 The Corner
 Bank Chambers
 26 Mosley Street
 Newcastle upon Tyne
 NE20 9NE

XX December 2023



Appendix C: Draft consistency report

Independent auditor’s statement to the members of Lincolnshire County Council on the pension fund financial statements included within the Lincolnshire Pension Fund annual report

Report on the financial statements

Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2023 included within the Lincolnshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Lincolnshire County Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Respective responsibilities of the Executive Director of Resources and the auditor

As explained more fully in the Statement of the Executive Director of Resources’ Responsibilities, the Executive Director of Resources is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

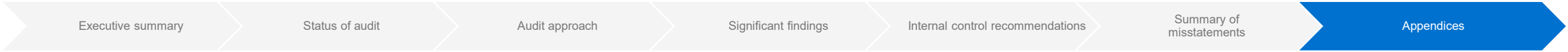
Our responsibility is to report to the Members of Lincolnshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Lincolnshire County Council. We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Lincolnshire County Council describes the basis of our opinions on the financial statements.

Use of this auditor’s statement

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Lincolnshire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincolnshire County Council and Lincolnshire County Council’s members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

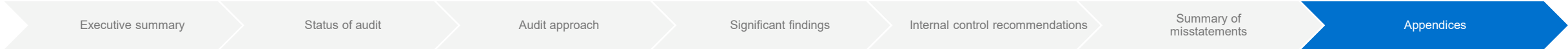
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26 Mosley Street
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NE1 1DF
XX December 2023







Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.





Appendix E: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the view of the Executive Director of Resources that the Lincolnshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

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Appendix E: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Cameron Waddell

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Appendix B



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Lincolnshire County Council
County Offices
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LN11YL

Direct dial +44 (0)78 1375 2053

Email cameron.waddell@mazars.co.uk

20 December 2023

Dear Committee Members

Conclusion of pending matters – Audit Completion Report for Lincolnshire County Council Pension Fund for 2022/23

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report.

The outstanding matters identified and the current status of each are detailed below.

Matter	Conclusion reached
Testing of investment assets	For this area of significant risk we have undertaken the remaining work required to gain comfort on the value of the investments held, including those where market and supporting information was not readily available. We have completed our work on the valuations received from fund managers and custodian with no issues arising which we need to bring to your attention.
Finalised financial statements	We have completed our work with no issues to note.
Audit quality control and completion procedures	We have completed this work with no further issues to report.

Please contact me if I can be of any further assistance.

Yours sincerely

Cameron Waddell

Key Audit Partner

For and on behalf of Mazars LLP

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

Report to:	Pensions Committee
Date:	11 January 2024
Subject:	DLUHC Pooling Consultation and Transition Plan Report

Summary:

This report brings to the Pensions Committee DLUHC's response to their pooling consultation – "Next Steps on Investments" and sets out how the Fund intends to address the requirements set out.

Recommendation(s):

That the Committee consider the report and discuss DLUHC's consultation response and the Fund's transition plan.

Background

- 1 The Government opened a consultation on asset pooling titled "Next steps on investments" in July 2023, as reported previously to the Committee, and the Fund's response was shared at the September meeting. In total, 152 responses were received from the sector, and the Government published its response on 22 November 2023. This response can be found in full at [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response).
- 2 After having considered the responses, the government has decided to implement the proposals set out in the consultation to accelerate and expand pooling, and to increase investment in levelling up and in private equity. In terms of timescale, the Government has indicated its intention to develop the associated Guidance by the summer. The Government has previously stated that if an individual Fund doesn't meet this policy intent, their position as an Administering Authority can be removed through existing powers.
- 3 The key areas within the response are set out below, with narrative on the sectors responses and how the Fund will meet these requirements.

Pooling of assets

- 4 To *“set out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.”*
- 5 The Government wants focus “in the short term” to remain on accelerating the transition of assets, improving governance, transparency and accountability. Anticipating the LGPS will reach £950bn assets in 2040, Government wants to see fewer pools averaging £200bn and will consider the pathway to achieving that. In the meantime, Government wishes to see collaboration between pools and consider specialisation.
- 6 The response accepts the March 2025 deadline will be “a significant challenge” for some but argues the proposals are a comply and explain model that does not mandate investment choices. In response to concerns about pooling passive funds and other assets, the Government will require a detailed rationale to be provided in the ISS for why any asset remains outside the pool “and the plan with regard to pooling that asset”.
- 7 The Fund has already pooled nearly 60% of its assets, and has a plan for the remaining asset transitions, set out in at paragraph 30 below. The Annual report currently breaks down the asset between pooled, under pool management and not pooled and the rationale, so this will easily be added to the ISS.
- 8 Government has stated its expectation that there will be fewer and larger pools over time, whether this happens by pool mergers or by funds moving pools. Border to Coast and Partner Funds have already started discussions on how this could be managed.

Governance and decision making

- 9 To *“revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.”*
- 10 Government acknowledges there are several models of pooling but believes that in the medium and long term “certain key characteristics are essential for progress”. The preferred model will be based on characteristics and outcomes rather than structures with a focus on the benefits of scale. Ministers will review change, “engaging pools as necessary”. The response rejects the suggestion that there is a conflict of interest for pool companies owned by LGPS funds to provide advice.
- 11 The model for the Fund’s asset pooling, Border to Coast, is considered to meet the preferred model, so no changes should be required.

Training for pension committee members

- 12 To *“implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.”*
- 13 Government suggests 91% of respondents were supportive of this proposal and points to responses that suggested guidance should refer to existing requirements including “CIPFA Knowledge and Skills Framework and Guidance, MiFID II requirements, and the requirements for local pension board members”.
- 14 The Fund has had a Training Policy for a number of years with a minimum level of mandatory training required. Additional reporting will be included within the Fund’s annual report.

Transparency and accountability

- 15 To *“revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.”*
- 16 Acknowledging the number of responses highlighting concerns about the proposed requirement to report on asset returns against an “appropriate and consistent benchmark”, Government will instead require that annual reports include performance for each asset class against the benchmark of the Fund’s choice. The broader proposed reporting requirements will go ahead with guidance to be developed with the Scheme Advisory Board (SAB) and take note of the preference expressed in responses for consistency in asset class reporting with other DB and DC schemes.
- 17 Where passive funds are held outside the pool, funds will have to set out reasoning and review timeline in their investment strategies. Where there is oversight by the pool, funds will need to set out how that is exercised. Funds will report passive that is under pool oversight as under pool management.
- 18 The Fund already reports as the revised guidance will require. In respect of the passive funds outside of the pool, the Fund’s investment in LGIM does have oversight from the pool, but will be reviewed, as set out in the transition plan at paragraph 30.

Scheme Annual Report

- 19 To *“make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.”*
- 20 SAB will include a table in the Scheme Annual Report dividing assets by category as well as by pooling status.

21 The Fund will report to any template that SAB devise.

Levelling Up

22 To *“amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.”*

23 Government promises to address requests for additional clarity on definition in guidance to be developed with SAB but wishes to retain a broad definition that allows administering authorities to pursue opportunities with beneficial impacts. The response includes explicit rejection of proposal to create levelling up bonds. Funds are encouraged to invest through their pool to help with due diligence and manage conflicts of interest.

24 It also commits to going ahead with guidance to set out circumstances where funds can invest through their pool in another pool’s investment vehicle. Government does not want to see direct investment by funds outside their pools as this could undermine the relationship between pools and their partner funds.

25 Government believes proposals to set out a plan to invest up to 5% in levelling up projects does not mandate investment or cut across fiduciary duty. It acknowledges levelling up is not an asset class. Acknowledging the concerns expressed about the proposed reporting requirements, Government will expect data to be reported on a best endeavours basis.

26 The Fund already invests in assets that fit within the definitions of the missions within the levelling up white paper. It will address this in its transition plan as set out at paragraph 30 below.

Private equity

27 To *“revise ISS guidance to require funds to consider investments to meet the government’s ambition of a 10% allocation to private equity.”*

28 This proposal was opposed by 84% of respondents, however the Government believes this is based on an understanding that it would be mandating investment in private equity. Intends to proceed with setting an ambition through revised guidance on investment strategy statements. In its response, Government is clear its specification of private equity is intentional. It recognises opportunities in private markets more broadly and that Fund decisions to allocate *outside* the 10% private equity allocation ambition are appropriate.

29 The Fund has an allocation of 8% currently to private equity. Any increase to this would be considered as part of the normal strategic asset allocation reviews undertaken and would only be increased if it met the Fund’s investment objectives. It is worth noting that this is global private equity and not specifically UK.

LPF's Transition Plan

- 30 The table below sets out the transition plan for the Fund moving assets to Border to Coast and how it will address the levelling up requirement.

Assets Not Pooled (strategic asset allocation)/Levelling Up	Current Arrangement	Plan
15% global equity allocation	LGIM's Future World Fund (passive), with oversight from Border to Coast.	Working with Border to Coast to assess the feasibility of a vehicle for this. Will only transition if it will be more effective/efficient than the current vehicle.
21% Private Markets allocation	Morgan Stanley (including legacy PE and infrastructure)	Working with Border to Coast on the capability of a full managed service as we currently receive from Morgan Stanley. Any transition would take a number of years due to legacy investments that may be required to run off.
10.5% Property allocation	Several managers across UK commercial, Global, and UK residential	Committed to investing in the Border to Coast Overseas and UK Real Estate Funds. Investment period will be across a number of years.
1% Cash allocation	Managed by LCC Treasury Team	No plans to pool, managed alongside LCC cash
5% Levelling Up	No specific policy or allocation to levelling up investments. Approx. 2% of current investments fit within the levelling up missions' definitions (across infrastructure and UK residential).	To consider investment into the next iteration of the Border to Coast UK Opportunities Fund (first vehicle launching April 2024), specifically developed to meet the levelling up requirements.

Conclusion

- 31 Following the consultation “Next steps in Investment”, the Government confirmed it will progress its reform of the LGPS to accelerate and expand pooling, and to increase investment in levelling up and in private equity. In publishing its consultation response, the Government gave clear guidance on its expectations.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Background Papers

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

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Agenda Item 12

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Agenda Item 13

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