

LINCOLNSHIRE COUNTY COUNCIL

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

1. INTRODUCTION

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

2. PURPOSE

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

3. CONSTITUTION AND MEMBERSHIP

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

Independent Chair - Roger Buttery (non voting)

2 Employer Representatives - Councillor Mark Whittington and Kirsty McGauley (both voting)

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

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

4. THE WORK PROGRAMME

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

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

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

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

5. CONCLUSION

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

ROGER BUTTERY
CHAIR
APRIL 2017