



LGPS LOCAL PENSION BOARD 25 JULY 2017

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington

Scheme Member Representatives: Ian Crowther and David Vickers

No Councillors attended the meeting as observers

Officers in attendance:-

Andrea Brown (Democratic Services Officer), Omaira Deen (West Yorkshire Pension Fund), Jo Ray (Pension Fund Manager) and Tracy Weaver (West Yorkshire Pension Fund)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Kirsty McGauley (Employer Representative).

2 DECLARATIONS OF MEMBERS' INTERESTS

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

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

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

3 MINUTES OF THE PREVIOUS MEETING OF THE LGPS LOCAL PENSIONS BOARD HELD ON 15 MARCH 2017

Jo Ray, Pension Fund Manager, requested an amendment to Minute Number 34, bullet point six. Where stated "first employer event" this should read "first scheme member event" The date of the event, noted as 23 March 2017, was also incorrect and was confirmed as having taken place on 23 November 2016.

RESOLVED

That the minutes of the previous meeting of the LGPS Local Pension Board, with the amendments noted above, be approved as a correct record and signed by the Chairman.

It was reported that The Pensions Regulator Toolkit had been completed by three members of the Board and it was requested that the remaining two members, Mr D Vickers and Councillor M A Whittington, complete this prior to the next meeting in October 2017.

Minute Number 36 – confirmation was given that an asset pooling update would be provided within the training scheduled for 21 September 2017. Additionally, an email had been issued to the Board which included further information regarding the role of the Joint Committee. Ian Crowther raised the issue of scheme member representation, and asked whether this would be revisited by the Joint Committee in the future. The Pension Fund Manager confirmed that the Joint Committee documentation allowed membership of the body to be reconsidered at any point.

Minute Number 39 – it was clarified that the total figure for the issue of annual benefit statements mentioned related to the 2016 exercise. The 2017 exercise was well underway and the expectation was that 100% of Annual Benefit Statements would be issued within the Pension Regulator's deadline.

4 PENSIONS ADMINISTRATION REPORT

The Chair of the Board welcomed Tracy Weaver and Omaira Deen of the West Yorkshire Pension Fund (WYPF) to the meeting and invited them to give a presentation on the Internal Dispute Resolution Procedure (IDRP).

The presentation covered the following areas of the procedure:-

- Regulatory Requirements;
- LGPS IDRP Two-stage process;
- WYPF Process;
- Pension Decision;
- Stage 1 Adjudicator's Responsibilities;
- Stage 2;
- Adjudicator's Role;
- The Pensions Advisory Service;
- The Pensions Ombudsman; and
- Examples of Stage 1 Appeals.

The difference between disputes and complaints was explained to the Board. Complaints dealt with general maladministration of pensions and disputes referred to a potential inappropriate decision made by an employer which had been challenged by the scheme member. It was clarified that an employee scheme member could not instigate an IDRP until a pension offer had been accepted, even if they disagreed with the initial offer.

The adjudicator did not give a decision but reviewed the processes and considerations made by the employer in making that decision. It was clarified that in the case of an IDRPs concerning an ill health retirement decision, any medical information considered must be dated before the date of the initial decision even if it was received after the decision had been made. This information was to be authenticated by an independent medical practitioner to enable its submission.

It was necessary for each employer to have all discretionary policies in place and up-to-date in line with recent regulations. This would avoid any potential challenge by the Ombudsman.

In relation to Death Grant payment, scheme members were required to complete an expression of wish form to set out where they should be paid, however in the event of any challenge the decision of who these could be paid to would be that of the Pension Fund Manager with input by legal colleagues and the Executive Director for Finance and Public Protection.

The Chair thanked Tracy Weaver and Omaira Deen for their presentation and invited them to a future meeting of the Board.

At 3.10pm, the representatives of West Yorkshire Pension Fund left the meeting and did not return.

Consideration was then given to a report by Jo Ray (Pension Fund Manager) which gave the Board a quarterly update by West Yorkshire Pension Fund on current administration issues.

The Pension Fund Manager took the Board through the report and highlighted the following areas to note:-

- An 'undecided member' was defined as a member who had left an employer but had not yet decided if they wanted to apply for a refund or to move the pension contributions into a 'deferred state'. Previously, members had three months to make a decision but this had been extended to two years. Where a member did not advise within that period the pension would move into a 'frozen state';
- One employer had left the fund and, as required within the regulations, paid a cessation fee into the fund;
- The Board was advised that of the 16,671 pensioner members issued with Life Certificates, 12 pensions had been suspended due to the non-return of the Life Certificate;
- Since the report was published, it was reported that 61% of Annual Benefit Statements (ABS) had now been produced and printed and the intention was to reach 100% by the end of August 2017;
- The Board was referred to the 2016 LGPS Annual Report which could be found at www.lgpsboard.org under "Scheme Annual Report 2016";
- The Administrator of the pensions dashboard prototype was confirmed as the Association of British Insurers (ABI). Further information on the project, which

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included a demonstration of the prototype, could be found at <https://pensionsdashboard.project.uk/>; and

- Following the closure of the year end, members were advised that the shared service pension admin cost per member had been confirmed as £13.62.

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

- When asked, the Pension Fund Manager confirmed that there were no concerns with the administrator of the fund but that improvements could be made with the employers in the fund, to ensure that the information required was not only received by the relevant deadline but that it was accurate;
- WYPF were responding to tenders for new business, which may give some cause for concern to the Lincolnshire Pension Fund if not properly resourced. WYPF would advise the Pension Fund Manager, through the Collaboration Board, before submitting bids of this type;
- WYPF was undertaking employer audits to improve the data quality held within the administration system and it was acknowledged that Lincolnshire County Council, as the largest employer, still had some way to go to ensuring its data was fully up-to-date. The pensions team was improving its contribution monitoring process to include quality of data, rather than timeliness of data and contributions.

RESOLVED

That the report be noted

5 PENSION FUND UPDATE REPORT

Consideration was given to a report from Jo Ray (Pension Fund Manager) which provided the Board with an update on Pension Fund matters including all current issues.

This type of report was received by the Pensions Committee on a quarterly basis and it was suggested that this format would also be beneficial to the Board in order to keep them up-to-date with the current issues of the Pension Fund.

It was reported that Nick Rouse (Investment Manager) had left the employment of Lincolnshire County Council and that the Pension Fund Manager was also undertaking this role until a replacement was appointed. This had provided an opportunity to rewrite the Job Description to give the role the wider remit of an Accounting, Investment and Governance Manager which would also include overall responsibility for the LGPS Pension Board. This would need to go through the Job Evaluation process before an advert could be placed which would delay the appointment.

As a result of this vacancy, the Board was advised that the Annual Report had not been completed although the annual accounts had now been closed. It was, however, noted that the Annual Report must be approved by the Pensions Committee in September and would be presented to the Board at its meeting in October 2017.

As per the Terms of Reference, the Executive Director of Finance and Public Protection had granted the reappointment of Councillor M A Whittington to the Board for a further four years.

In relation to the appointment of the Scheme Member Representative, Mr D Vickers, the Executive Director of Finance and Public Protection had agreed an extension to this appointment with the approval of the Board. This was unanimously agreed by those present.

The Board was asked to note that Councillor E W Strenziel, Chairman of the Pensions Committee, would represent the Committee on the Local Authority Pension Fund Forum (LAPFF). Councillor Strenziel was also a member of the Joint Committee of the Border to Coast Pensions Partnership (BCPP), therefore it was felt this role would provide consistency in the provision of feedback to both the Pensions Committee and LGPS Pension Board.

The highlights of the latest LAPFF engagement report, a copy of which could be found on the website at www.lapfforum.org, were presented to the Board:-

- A response to the Department for Business, Energy & Industrial Strategy's Green paper on Corporate Governance Reform had been submitted by the LAPFF which focused on ensuring that executive pay was properly aligned to long-term performance in addition to giving greater voice to employees and consumers in the boardroom;
- An Executive member of the LAPFF had attended the EasyJet Annual General Meeting and spoke to the Chairman and Senior Independent Director;
- The Forum supported the recommendations of the Financial Stability Board's Taskforce on Climate Disclosure;
- A member of the LAPFF Executive, and Chairman of Rio Tinto, joined other investors in a small coalition which had met with the company since 2013 in its endeavours to improve its response to the anticipated low-carbon transition;
- LAPFF also responded to the government-backed Parker Review on Ethnic Diversity of UK Boards consultation report 'Beyond One by 21'. The response of the Forum set out its position on diversity and recommended that the final report may be strengthened by reiterating the role that investors should play; and
- The Forum met with HSBC to discuss the company's sparse human capital management reporting and financial regulation, including US reports which suggested that financial regulations implemented after the financial crisis were likely to be rolled back.

The Pension Fund Manager continued by referring to the TPR Checklist Dashboard and, in particular, drew the Board's attention to B12 – Knowledge and Understanding. As previously mentioned, all but two of the Board had completed the Pension Regulators Toolkit which was the reason this indicator remained 'amber'. The Board also noted that members of the Pensions Committee were also required to complete this toolkit.

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In relation to K7 – Scheme Advisory Board Guidance – the Board confirmed that they preferred a collective approach to Board training assessments rather than individual training plans.

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

- Despite the requirement for the Border to Coast Pensions Partnership Ltd to be created and operational by the end of April 2018, it was confirmed that a delayed response from Government meant this would now be June 2018;
- It was explained that West Yorkshire Pension Fund and Manchester were pooling the management of their assets but not pooling their actual assets;
- Should any employer within the Pension Fund continually make late payments, even where maximum penalties had been issued, they would reported to The Pension Regulator; and
- The Board was assured that the recent data breach was due to human error at the outsourced printing company and affected only a small number of Annual Benefit Statements. However, this breach did highlight that there was a need to inform the Pension Fund Manager of any, and all, breaches to enable a decision to be made whether the Information Governance Officers within both LCC and WYPF needed to be aware also.

The Board were encouraged to attend the two-day training session in York on 11th and 12th September 2017 which had been arranged for members of the Pensions Committees and Pension Boards which formed part of the BCPP. Councillor M A Whittington confirmed that he would be attending both days and the Chair advised he had confirmed attendance on day two of the training. As noted within the report, members were asked to contact Jon Haw to ensure a place could be secured.

RESOLVED

1. That the extension of the term of office for the Scheme Member Representative be agreed; and
2. That the report be noted.

6 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

Consideration was given to a report by Jo Ray (Pension Fund Manager) which presented the main policies of the Pension for review by the Board.

In relation to the Governance and Compliance Statement, the Board was particularly asked to note paragraph five of the report which detailed the areas where the Fund was only partially compliant. This included Principle A – Structure; Principle B – Representation; Principle E – Training/Facility Time/Expenses; and Principle H – Scope.

In reviewing the risk register, the Board raised concern about the potential resource risk and the additional pressures on the Pension Fund Manager, given the extraordinary amount of work and responsibility involved following the departure of

the Investment Manager. The Board indicated their full support to the Pension Fund Manager, where required, during the recruitment period.

RESOLVED

That the report be noted.

7 INTERNAL AUDIT OF THE PENSION FUND

The Board gave consideration to a report by Jo Ray (Pension Fund Manager) which presented information on the internal audits undertaken over recent years on the Lincolnshire Pension Fund. The report also provided information on audits of the administration service provided by West Yorkshire Pension Fund (WYPF).

The audit on the transfer of the Pensions Administration service, which was carried out in 2015, gave an "effective" assurance opinion which, by definition, gave the auditors *"a high level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance"*.

The assurance for the recent key controls audit covering the Pension Fund's investments was also given as "high" which had a similar definition to "effective".

In relation to Pensions Administration, the following areas were covered by the audits:-

- Annual Benefit Statements;
- LGPS contributions;
- Transfers In;
- Review of WYPF accounts;
- Purchase of additional pension; and
- New pensions and lump sums – death benefits.

RESOLVED

That the report be noted.

8 REVIEW AND EVALUATION OF THE PENSION BOARD

The Board gave consideration to a report by Jo Ray (Pension Fund Manager) which provided an opportunity to review and evaluate the work undertaken since its inception in July 2015.

The Chair of the Board advised that he had been keen to include this report on the agenda to gauge the opinion of Board Members about the progress of the Board to-date.

Members indicated that they were content with the work done so far and acknowledged that Boards around the country were run in different ways making it difficult to compare. A suggestion was made to have a regional/national Chairs

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meeting but it was explained that the role of Chair was not mandatory and a number of other Boards had taken the decision to have a rotating Chair at each of their meetings which made this type of networking challenging.

Given the change in membership of the Pensions Committee, it was suggested to request an item on a future agenda of that Committee where the Board could present themselves and explain their role. Board Members were encouraged to attend the Pensions Committee when able and it was agreed that the Democratic Services Officer would send future Committee dates to the Board.

RESOLVED

That the report be noted.

9 TRAINING NEEDS

The Pension Fund Manager advised that the Pensions Committee scheduled for Thursday 21st September 2017 also included a training session. An invitation was extended to Board Members who were encouraged to attend and it was agreed that the Democratic Services Officer would send the appointment to Board Members.

The Chair submitted his apologies for this session due to an existing commitment.

RESOLVED

That the Pensions Committee training date be noted.

10 WORK PROGRAMME

Following discussion, the Board requested that the following items be considered at the next meeting, scheduled for Wednesday 18th October 2017:-

- Data Quality of Submissions to the Pensions Administrator - Presentation; and
- Annual Report on Accounts.

It was also requested to invite Mike Norman from KPMG to attend.

RESOLVED

That the items noted above be added to the agenda for the October meeting of the LGPS Pension Board.

The meeting closed at 4.55 pm