



LGPS LOCAL PENSION BOARD 11 OCTOBER 2018

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers

Councillors: attended the meeting as observers

Officers in attendance:-

David Forbes (County Finance Officer), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Pension Fund Manager)

18 APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Chairman welcomed Laura Andrikopolous (Senior Consultant and Actuary, Hymans Robertson), who was observing the meeting to gain an insight into the governance of the Local Government Pension Scheme.

19 DECLARATIONS OF MEMBERS' INTERESTS

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

20 MINUTES OF THE MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 25TH JULY 2018

In relation to the minutes of the last meeting, the Chairman suggested that Mike Norman (Mazars, external audit) attend the January 2019 meeting of the Board.

RESOLVED:

1. That the minutes of the meeting held on 25th July 2018 be approved as a correct record and signed by the Chairman.
2. That Mike Norman be invited to the meeting of the Board scheduled for Thursday 10th January 2019.

21 PENSIONS ADMINISTRATION REPORT

The Business Development Manager (West Yorkshire Pension Fund) updated the Board on current administration issues within the fund.

Attention was drawn the two underperforming Key Performance Indicators (KPI)'s:

- DG Nomination Form Received – It was noted that most of the data had been received, but records had not yet been updated, meaning that data would be available if it was required. The Business Development Manager was not concerned by the KPI not being reached in this instance.
- Monthly Posting – This was due to the amount of queries received on returns from Employers. It was noted that the percentage for monthly posting had increased quite significantly despite the target not being met.

The following points were also highlighted:

- Figures showed a reduction in the active scheme membership, which was due to backlog of forms received from payroll providers.
- Although the Overall Customer Satisfaction Score for April to June 2018 was 72.1%, there had only been one complaint received, which was regarding opting out of the scheme. It was noted that this was more of an employer issue.
- The results of the employer survey had suggested that forms were not straightforward to fill in. The Committee were assured that this area was being investigated to see what improvements could be made to the forms.
- 20,506 Annual Benefit Statements (99.2% of the active membership) had been produced by the statutory deadline of 31st August. It was noted that employers were asked to submit their information as soon as possible due to the lead time taken to process the information.
- 25,960 Deferred benefit Statements had been produced by the statutory deadline, which represented 100% of the deferred membership.
- West Yorkshire Pension Fund (WYPF) had taken on 6 additional Fire clients, and in addition, the London Borough of Hounslow had joined the West Yorkshire/Lincolnshire Pension Fund shared service partnership from 1st August 2018.
- Recruitment was taking place to ensure that there would be no impact on existing clients and services as a result of the intake of new clients, including recruitment in Lincolnshire.
- There was a new requirement to report on data quality and data score for The Pensions Regulator. Authorities had been advised to adopt their own approach for scoring their 2017/18 conditional data for submission to the scheme return. A Data Governance Officer would be recruited to assist with this.

- The WYPF had won in both of their two categories at the 2018 LAPF Awards, as well as being chosen as for the LGPS Fund of the year (assets over 2.5 billion) – Administration Award.

Questions and comments from members and officers included the following:

- It was queried whether there were any reasons that the overall customer satisfaction score was lower between April to June in both 2017 and 2018. The Business Development Manager felt there was nothing specific that could be causing the lower percentage score.
- It was questioned why there were 20,506 Annual Benefit Statements produced when figures showed that there were 25,239 active members in the scheme. The Business Development Manager explained that discrepancies were likely to be a result of some members having multiple employers within the scheme, and some due to contacts being lost. It was agreed that this would be looked into further.
- In response to a question, it was explained that, where there was no current address, the Deferred Benefit Statements were produced but not sent out to members.
- It was clarified that the Fund was actively trying to trace the 'lost members', and was engaging with the Tracing Bureau to assist with this.
- One member asked whether there would be an office in Hounslow following their joining the shared service partnership. It was noted that there would not be an office in Hounslow as there had been no staff TUPE'd over.
- The Board congratulated the Administrator on their recent success at the LAPF awards.
- Members were assured that the Guaranteed Minimum Pension reconciliation exercise was a priority in order to meet the deadline for sending the data to HMRC by the end of October 2018.
- Officers were of the view that £2 tolerance was a reasonable amount for the Guaranteed Minimum Pension reconciliation exercise.

RESOLVED:

That the report and comments made be noted.

22 PENSION FUND UPDATE REPORT

The Pension Fund Manager updated the Board on Fund Matters over the Quarter ending 30th June 2018, highlighting that the Pension Fund had increased in value by £124.6m (or 5.4%).

It was noted that fixed interest was slightly below the agreed tolerance weighting at 11.5%, compared to a lower tolerance of 12%. The Board were referred to Appendix A of the report, which set out the Fund's distribution as at 30th June 2018.

The Pension Fund Manager then discussed the following:

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- Responsible Investment
- TPR Checklist Dashboard
- An update on Breaches Reporting
- Risk Register Update
- Asset pooling update

The Pension Fund Manager highlighted that there were two new Councillor's on the Pensions Committee, and three other members of the Committees were yet to complete the Pension Regulator's toolkit training. It was noted that the Pension Fund Manager was in discussions with Democratic Services in an attempt to make training compulsory for members of the Pensions Committee in the future.

It was highlighted that figures from the leavers' backlog at Lincolnshire County Council had fallen from nearly 3,000 in January and were at 168 as of October 2018. However, it was reported that there was a backlog of around 1000 current cases

Questions and comments from members and officers included the following:

- The Board supported a move to compulsory training for the Pensions Committee.
- The Board were in agreement that the Chairman would write to the Executive Director for Children's Services (with responsibility for People Services) at Lincolnshire County Council to acknowledge the work that had been done on clearing the historic backlog for leavers, but to express concerns that backlogs were forming in current work areas..

RESOLVED:

1. That the report be noted.
2. That the Chairman of the Board write to the Executive Director for Children's Services to raise concerns around the backlog forming in current workloads.

11:25am – The meeting adjourned for a short break

23 PENSION FUND RISK REGISTER REVIEW

11:30am – The meeting reconvened

The Committee received a report from the Accounting, Investment and Governance Manager which provided the Board with the opportunity to scrutinise in detail three risks from the Pension Fund Risk Register.

Members were referred to Appendix A of the report, which provided a copy of the Lincolnshire Pension Fund's Risk Register.

The Accounting, Investment and Governance Manager asked the Board to consider and review the following three risks and whether they thought the risks identified on the risk register were appropriate:

- Economic uncertainty to the UK leaving the EU
- Risks associated with Asset Pooling
- The maturing of the fund

It was noted that following a recommendation at the Pensions Committee on the 4th October 2018, the following addition to the risk register was agreed:

- Risk 25 - 'Failure to meet requirements as a responsible investor – across all ESG risks' be amended to include the risk of climate change and the move to a low carbon economy

Questions and comments from members included the following:

- The Board were satisfied that all three of the risks, as shown above, were appropriate and should remain the risk register under their current risk rating.
- Members of the Board raised concerns over the up-coming retirement of two senior finance managers, including the County Finance Officer. Members were aware that the current County Finance Officer had extensive Pensions experience and were seeking reassurance that the new post holder would also have some knowledge of pensions processes. It was agreed that this would be raised with the Committee at their meeting in January to consider if this risk should be added into the risk register as part of Risk 3 Loss of key staff and loss of knowledge and skills.
- Members of the Board also discussed the risk associated with completion of the Guaranteed Minimum Pension Reconciliation currently being undertaken by West Yorkshire Pension Fund. It was agreed that this would be raised with the Committee at their meeting in January to consider if this risk should be added into the risk register as part of Risk 4 Calculating and paying pensions correctly.

RESOLVED:

1. That the report be noted.
2. That the Board were satisfied that the risks identified on the register were appropriate.
3. That two additions to existing risks on the risk register would be proposed to the Pensions Committee at their meeting in January 2019.

24 EMPLOYER DATA SUBMISSIONS UPDATE

The Board received a presentation from the Accounting, Investment and Governance Manager which provided detail and explanation on the Employer Data Submissions for the first four month of the financial year.

The presentation highlighted the following:

- The contribution monitoring process
- Findings from the contributions monitoring process for the year to date (April to July 2018). This showed that generally, payment of contributions was good, but issues arose from the submission of accurate data on a timely basis. From April to July 2018, nine fines had been issued to employers.
- The Accounting Investment and Governance Manager outlined some of the common causes of late contribution payments and some common causes of late data submissions.
- It was noted that various forms of support were offered to employers to help with payment and data submissions.

Members reviewed the late contributions and late data submissions data for April 2018 to July 2018.

Members asked for confirmation that queries on late data submissions/contributions payments were being followed up on a timely basis. Officers explained that this formed part of the monthly process, but there would be occasions when more historical data will be revisited if required.

Members asked whether the value of fines for late data submissions and contribution payments should be increased. Officers explained the level of fines is set to remind employers that there is a time impact on submitting late or inaccurate data. Officers felt that it would be more beneficial to offer additional support to employers to help with timely and accurate data submissions, rather than raise the value of fines.

Members of the Board requested that the Employer Data Submissions Update be provided as a quarterly report.

RESOLVED:

1. That the report and comments made be noted.
2. That the Employer Data Submissions Update be provided on a quarterly basis.

25 TRAINING NEEDS

The Pension Fund Manager informed members of the Board that training for the Committee and Board members had taken place on the 11th September which focussed on asset allocation in a post pooling world.

The Board were reminded that Valuation training would take place on the afternoon of 26th February, and both members of the Board and Committee were invited to attend.

It was noted that the Pension Fund Manager would continue to update both the Committee and the Board as suitable training courses arose.

26 WORK PROGRAMME

The Board expressed an interest in looking at the overall governance of the Border to Coast Pensions Partnership.

Laura Andrikopolous (Hyman Robertson) thanked the Board for letting her observe and commented that the Board looked to be engaged and operating well.

The meeting closed at 12.57 pm

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