



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

Report to:	LGPS Local Pension Board
Date:	16 March 2023
Subject:	Pension Fund Update Report

Summary:

This report updates the Board on Fund matters for the quarter ending 31 December 2022 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update
5. Pensions Committee Academy Representative
6. Independent Investment Advisor
7. 2022 Triennial Valuation
8. TPR Governance and Administration Survey
9. Committee Paper Comments

Recommendation(s):

That the Board consider and discuss the report and agree whether any action or additional information is required.

Background

1. TPR Checklist Dashboard and Code of Practice

1.1 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 A. 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.

- 1.2 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, whilst all Board members have completed this training, there have been two new members to the Pensions Committee who have a period of six months to complete their training, therefore this should be green by September 2023, if not earlier.

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

2. Breaches Reporting - update

2.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B 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** – a separate paper is presented to the Board at paper 6, updating the Board on all monthly employer contribution breaches over quarter.

3. Risk Register Update

3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved. There have been no changes to the risk register over this quarter.

4. Asset Pooling Update

Sub Funds

- 4.1 Work has continued with the development of the real estate funds, with the next expected transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched in 2023.
- 4.2 The transitions to include an Emerging Market ex China manager and a China manager to the Global Equity Alpha Fund, completed as expected, as detailed at the January manager presentation from Border to Coast.
- 4.3 Since the last Board meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, alternatives, and Responsible Investment.

Joint Committee

4.4 The last Joint Committee was held on Wednesday 30 November 2022 and papers were shared with the Board. The agenda items were:

The following items were included in the agenda:

- Appointment of a Scheme Member Representative
- Joint Committee Budget
- Governance Review - Update
- Responsible Investment Policies Annual Review 2022
- Responsible Investment Update
- Summary of Investment Performance and Market Returns

- Development of Investment Capabilities
- Alternatives Series 2b
- CEO Report
- Performance Report
- Update on Emerging Matters

4.5 The next meeting of the Joint Committee is being held on 21 March, and papers will be shared with this Board once they become available. Any questions or comments on the papers should be directed to Cllr Strenziel, Chairman of the Pensions Committee, who can raise them at the meeting.

Shareholder Matters

4.6 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Pensions 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.

4.7 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.

4.8 There have been three shareholder resolutions since the last meeting, which were all approved by Lincolnshire:

- The Non-Executive Director reward framework update
- The Strategic Plan 2023-26 and supporting budgets for 2023/24
- The updated Articles of Association following the governance review

5 Pensions Committee Academy Representative

5.1 The Pensions Committee approved an additional member for the Committee to represent the Academy Sector at its September meeting, which was approved through the constitution changes at the Full Council meeting in December.

5.2 Expressions of interest were requested from the academies and multi-academy trusts in the Fund, and three submissions were received. Following interviews, Tom Hotchin, Finance Director at Market Rasen De Aston School, was appointed, and he was welcomed earlier today at the Pensions Committee meeting.

6 Independent Investment Advisor

- 6.1 Peter Jones, the Committee's Independent Investment Advisor, is stepping down from his role as of 30 April 2023. Peter has worked with the Pensions Committee since 2011, providing advice and guidance on investment matters. The Committee offered their thanks to Peter and wished him an enjoyable retirement.
- 6.2 In considering how this position is replaced, the Committee agreed to await the publication of the Good Governance review, which will set out guidance and requirements on how Pension Funds should be managed. This is now expected in the Summer or Autumn of 2023. Following that, the Committee will consider what they require going forwards, and how best to meet those needs.
- 6.3 In the interim, Hymans Robertson will provide a market commentary report each quarter, and will be attending each Investment and Stewardship quarterly meeting to provide their professional advice and guidance as required.

7 2022 Triennial Valuation

- 7.1 The final Valuation document was taken to the meeting of the March Pensions Committee, alongside the Funding Strategy Statement (FSS), for final approval. All employers returned their signed declarations agreeing to the contribution rates to be paid for the next three years, and key outcomes of the valuation were presented in the Annual Employer meeting held in February. The FSS is included within the policy review at paper 9 on the agenda. Both documents will be published on the shared website.

8 TPR Governance and Administration Survey

- 8.1 The 2022/23 Public Service Governance and Administration Survey was issued by TPR in January, with a return deadline of 12 February. This was completed by the Chair of the Board and the Head of Pensions and returned within the required timescale. The submitted version is attached at Appendix C for information.

9 Committee Paper Comments

- 9.1 The Pensions Committee papers for the meeting dated 16 March 2023 have been shared with the Board. The agenda contained the following reports:
- Independent Advisor Report
 - Local Board Report
 - Fund Update
 - Responsible Investment Update
 - Administration Update

- Employer Monitoring Report
- Funding Strategy Statement and 2022 Valuation Report
- Annual Policy Review
- Business Plan 23/24
- Annual Report and Accounts 2022-23 - Review of Accounting Arrangements and Policies
- Investment Update and Manager Performance Report
- Investment Strategy Review
- Pensions Administration Service Provider Review

9.2 As the focus of the Committee is different to that of the Board, not all areas are covered in this meeting. The Board have the opportunity to discuss any aspects of the Committee’s papers where further clarity is required.

Conclusion

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

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	TPR Checklist Dashboard
Appendix B	Breaches Register
Appendix C	TPR Public Service Administration and Governance Survey 2023

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.