



**LGPS LOCAL PENSION BOARD**

**THURSDAY, 11 OCTOBER 2018 at 10.00 AM**

**COMMITTEE ROOM TWO, COUNTY OFFICES, NEWLAND, LINCOLN LN1 1YL**

**MEMBERS OF THE BOARD**

**Independent Chair** (non-voting): Roger Buttery

**Employer Representatives** (voting): Councillor M A Whittington and Kirsty McGauley

**Scheme Member Representatives** (voting): Ian Crowther and David Vickers

**AGENDA**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for absence</b>	
<b>2</b>	<b>Declarations of Members' Interests</b>	
<b>3</b>	<b>Minutes of the meeting of the LGPS Local Pension Board held on 25th July 2018</b>	3 - 14
<b>4</b>	<b>Pensions Administration Report</b> <i>(To receive a report from the Yunus Gajra (The Business Development Manager – West Yorkshire Pension Fund), which updates the committee on current administration issues)</i>	15 - 36
<b>5</b>	<b>Pension Fund Update Report</b> <i>(To receive a report from Jo Ray (Pension Fund Manager), which updates the committee on fund matters and any current issues)</i>	37 - 50

- 6 Pension Fund Risk Register Review** 51 - 64  
*(To receive a report from Claire Machej (Accounting, Investment and Governance Manager), which provides the Board with a copy of the Lincolnshire Pension Fund's Risk Register)*
- 7 Employer Data Submissions Update** 65 - 68  
*(To receive a presentation from Claire Machej (Accounting, Investment and Governance Manager), which provides an explanation on Employer Data Submissions for the first four months of the financial year 2018/19)*
- 8 Training Needs**  
*(This is a standing agenda item which is considered at every meeting of the Board)*
- 9 Work Programme**  
*(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)*

Should you have any queries on the arrangements for this meeting, please contact Emily Wilcox via telephone 01522 553787 or alternatively via email at [emily.wilcox@lincolnshire.gov.uk](mailto:emily.wilcox@lincolnshire.gov.uk)



## LGPS LOCAL PENSION BOARD 25 JULY 2018

### PRESENT:

**Independent Chair:** Roger Buttery.

**Employer Representatives:** Councillor M A Whittington and Kirsty McGauley.

**Scheme Member Representatives:** Ian Crowther and David Vickers.

Officers in attendance:-

Katrina Cope (Senior Democratic Services Officer), David Forbes (County Finance Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) and Claire Machej (Accounting, Investment and Governance Manager).

### 5 APOLOGIES FOR ABSENCE

No apologies for absence were received. All members were in attendance.

### 6 DECLARATIONS OF MEMBERS' INTERESTS

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

### 7 MINUTES OF THE MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 7 JUNE 2018

### RESOLVED

That the minutes of the meeting of the LGPS Local Pension Board held on 7 June 2018, be agreed and signed by the Chairman as a correct record.

### 8 PENSIONS ADMINISTRATION REPORT

The Board gave consideration to a report from Yunus Gajra, Business Development Manager, West Yorkshire Pension Fund (WYPF), which provided a quarterly update on current administration issues.

Attached to the report for the Board's consideration were the following Appendices:

- Appendix 1 - Customer Survey Results;
- Appendix 2 - Feedback Summary;
- Appendix 3 – Employers Summary;
- Appendix 4 – Annual Benefit Statement/Active Member Newsletter;

- Appendix 5 - Pensioner Member Payslip/P60.

Whilst guiding the Board through the report, the Business Development Manager, West Yorkshire Pension Fund made reference to the following:

- Key Performance Indicators for period one – 1 March 2018 to 31 May 2018. Reasons for underperforming were shown at the bottom of page 8 of the report presented. A question was asked as to whether the monthly posting target of 95% was realistic. The Board was advised that it was an area being looked at to see if it was achievable as each month more employers were coming in to the Fund;
- Scheme Information as at June 2018;
- Age Profile of the Scheme;
- Employer Activity – It was highlighted that from 1 March 2018 to 31 May 2018, four academies had become Scheme Employers; and that the West Yorkshire Pension Fund was currently working with 12 schools who were in the process of converting to academies or Prime Account Schools;
- Praise and Complaints – It was noted that the number of Lincolnshire member's sample survey letters returned should read 17 and not 172 as stated. Details of the Customer responses were shown in Appendix 1 to the report;
- Employer training and survey. Feedback from the two Employer sessions were shown in Appendix 2 to the report;
- Internal Disputes Resolution Procedures – Some concern was expressed to Stage two appeals against the scheme employer being handled by the West Yorkshire Pension Fund. Reassurance was given that these appeals were looked at totally independently by staff not directly involved in the administrative side of the Fund. The Board received an explanation relating to the two types of appeals;
- Ombudsman – A question was asked as to whether there would be any compensation from Prudential. Officers agreed to look into this matter;
- GDPR Update;
- Current Issues – The Board was advised that as a result of changes from 14 May 2018 relating to members with deferred benefits, numerous requests had been received for their early release;
- Proposed Changes not taken forward – Particular reference was made to paragraph 6.18 relating to Additional Voluntary Contributions;
- 2017 Local Government Scheme Annual Report;
- 2018 Scheme Return – Scheme-specific data;
- GMP Reconciliation – The Board was advised that work was ongoing reconciling GMP's with HMRC. Reassurance was given that all queries would be raised by the HMRC's deadline of 31 October 2018; and
- Finance – The Board was advised that the projected cost for 2018/19 for Pension Administration Shared Services had been estimated at £14.91. This figure was below the target cost of £17.00. Details of the shared cost per member were shown on page 19 of the report presented.

RESOLVED

That the Pensions Administration report presented be noted.

9 PENSION FUND UPDATE REPORT

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which provided an update on current Pension Fund matters and current issues.

Attached to the report at Appendix A was a copy of the TPR Checklist Dashboard; and Appendix B provided a copy of the Breaches Register for the Board's consideration.

Claire Machej, Accounting, Investment & Governance Manager presented the report to the Board.

The Board was reminded that each quarter, an update was given relating to the latest work of the Local Authority Pension Fund Forum had been engaged with. The Board was advised of some of the work that had been undertaken, which included:-

- Engagement with 21 companies on issues ranging from climate change resilience to human rights and due diligence process implementation;
- The Forum had published two reports at the beginning of the year on Share Buybacks and a second on Precarious Work;
- The Forum had been engaged with companies over cybersecurity management. The Board was advised that in this quarter they had engaged with Lloyds Banking Group with regards to the 2017 cyberattack; and
- The Forum had also liaised with several companies from the transport sector on their approach to climate risk and their role in a tightening regulatory tax environment.

It was reported that in relation to the TPR Checklist Dashboard, no areas had changed since the last quarter. The report highlighted the areas that were not fully completed and/or compliant. One particular area that was highlighted to the Board was 'B12 – Knowledge and Understanding – Have the Pension Board members completed the pension regulator's toolkit'. The Board expressed some concern that the Pension Fund Manager had still not received certificates from all Pension Committee members.

The Board agreed that the Pension Fund Manager should have a look into having Punter Southall, a company who offered toolkit training to provide two half-day training sessions; to which all members of the Pensions Committee and Pensions Board should be invited to attend. It was felt that this would then act as an annual refresher course for all members.

The Board was advised that information relating to the Breaches Reporting Policy was included within the report pack at agenda item seven. The Board was advised

further that there had been two further breaches added to the Breaches Register since the last meeting of the Pensions Board.

These were:

- Late payment of contributions – It was highlighted that there was a separate report at agenda item ten, which provide the Board with an update of all breaches over the financial year 2017/18; and
- Late receipt of member information – It was reported that the issue related to LCCs payroll provider, Serco, regarding their outstanding data submissions, particularly in respect of leavers. The Board was advised that LCC had reported themselves to the Pensions Regulator on 10 April 2018; and that an update would be received by the Board at agenda item nine.

The Board was also advised that information relating to the Risk Register would be considered as part of agenda item seven; and that an update on the progress of the Asset Pooling Project would be received in the report presented at agenda item six.

#### RESOLVED

1. That the Pension Fund Update report be noted.
2. That the Pension Fund Manager look into the possibility of Punter Southall providing two half-day training sessions for members of the Pension Committee and the Pension Board.

#### 10 ASSET POOLING UPDATE

Consideration was given to a report from Jo Ray, Pension Fund Manager, which updated the Board on the progress of the creation of the Border to Coast Pensions Partnership Ltd, the Fund's chosen asset pool.

Claire Machej, Accounting, Investment and Governance Manager, guided the Board through the report.

The Board was advised that Border to Coast was now live, and that Border to Coast had also received Financial Conduct Authority (FCA) approval (FCA) for the first four sub-funds in May 2018. It was noted that Border to Coast had completed their statutory accounts, under the small companies' exemption, for the first period of operation to 31 March 2018; this then allowed for future statutory financial period ends to be aligned to the Partner Funds.

In addition to the update provided within the report, it was reported that at the Joint Committee meeting held on 10 July 2018, Councillor Sue Ellis from South Yorkshire and Councillor John Weighall from North Yorkshire had been nominated to the two Shareholder Director positions. The Joint Committee's terms of reference had moved to phase two, now that Border to Coast had gone live. It was also reported that Councillor Doug McMurdo, from Bedfordshire and Councillor Tim Evans, from Surrey had been elected to the positions of Chairman and Vice-Chairman of the Joint

Committee. It was highlighted that there was to be further discussion regarding the co-option of a scheme member representative on to the Joint Committee.

The Board was advised that Peter Jones had attended one of the two advisor days held in May by Border to Coast, and that the feedback had been that he had generally been impressed with the management team; and the matters covered on the day. It was also highlighted that feedback from the manager open days was that it had been well received.

It was reported that the opinion from Legal Counsel regarding the sharing of transition costs had been received and that Border to Coast were liaising with the Ministry of Housing, Communities & Local Government (MHCLG) regarding options for the Partner Funds. The Board noted that the Lincolnshire Fund was not involved in the first transitions; this allowed time for the Council and Border to Coast to learn from those that had transitioned early.

The Board noted that the first externally managed sub-fund would be launched in quarter four later in the year (UK Equities) and that Global Equities would then follow; which was likely to be quarter one of 2019. The Board noted further that the Pension Fund Manager had been involved in the External Manager Workshops.

The report confirmed that two Customer Relationship Managers had been appointed who were Mat Dawson (ex-Warwickshire County Council Pension Fund) and Andrew Stone (ex - L & G Investment Manager), both of whom had been invited to present to the December 2018 Pensions Committee meeting. It was also highlighted that Robecco had been appointed by Border to Coast as voting and engagement provider.

In conclusion, the Board was advised that officers were working closely with Border to Coast as assets were beginning to be transitioned.

During a short discussion, the matter of the co-opted scheme member representative on to the Joint Committee was raised; as it was unsure how many representatives there would be. Confirmation was given that this matter was to be discussed at the next Joint Committee meeting. Some concern was also made to governance issues; and whether there was any possibility of getting all Pension Board Chairmen together.

RESOLVED

That the Asset Pooling Update report be noted.

11     LINCOLNSHIRE PENSION FUND POLICIES REVIEW

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which brought to the Board the main policies of the Pension Fund for review.

It was highlighted that under the various Local Government Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, was required to produce and maintain a number of key policy documents.

The Board was advised that the Pensions Committee had reviewed and approved the Appendices supporting the report. The Accounting, Investment and Governance Manager highlighted to the Board the changes that had been made to each of the Appendices.

- Appendix A – Investment Strategy Statement – It was noted that information had been added relating to the responsible investor policy and voting framework, that had been agreed by the Pensions Committee at their October 2017 meeting;
- Appendix B – Funding Strategy Statement – The Board was advised that a note had been added about the change to Cessation Arrangements due to a change in the regulations. It was highlighted that any surpluses calculated on cessation of an employer must be repaid to the exiting employer. It was highlighted further that these had previously been retained by the Fund;
- Appendix C – Communications Policy – The Board was advised that reference to the members Roadshows had been added; and that reference to the Annual Members Meeting had been deleted. It was noted that the Annual Meeting had been stopped due to poor attendance; and it was hoped that the roadshow approach across the county would increase attendance;
- Appendix D – Governance Policy and Compliance Statement. It was highlighted that the document had been extended to include Asset Pooling Governance. The Board was also advised that the Council's Constitution would also need to be amended to reflect the changes;
- Appendix E – Stewardship Code Statement – The Board was advised that there were no changes planned at present;
- Appendix F – Breaches Reporting Procedure – The Board was advised that there were no changes planned at present; and
- Appendix G – Risk Register – The Board were invited to consider the Risk Register presented. It was highlighted that there was only one red risk at the moment. Following a short discussion, the Board agreed to do a more in depth look at 3 items on the risk register for the 11 October 2018 meeting.

#### RESOLVED

1. That the Lincolnshire Pension Fund Policies Review Report and associated Appendices be noted.
2. That three items from the risk register be selected for a more in-depth review at the 11 October 2018 Pension Board meeting.

#### 12 INTERNAL AUDIT OF THE PENSION FUND

Consideration was given to a report from Jo Ray, Pension Fund Manager, which provided information on the internal audits which had taken place over the past year

on the Lincolnshire Pension Fund and on the administration service provided by the West Yorkshire Pension Fund.

Claire Machej, Accounting, Investment and Governance Manager advised that the Pension Fund was regularly audited by a number of different parties: the Council's internal audit team, KPMG, the Council's external auditors, the City of Bradford Metropolitan Council's internal auditors on the shared pensions Administration service. It was highlighted that the West Yorkshire Pension Fund also undertook a number of quality audits each year, ensuring that processes and policies were followed across the Pensions Administration section, details of these were shown in Appendix B to the report. Details relating to the internal audits carried by the Council relating to Key Control Testing and Pensions Administration were detailed within the report at pages 161 and 162. A copy of the LCC Internal Highlight report was attached to the report at Appendix A. It was noted that the conclusion drawn from the audit was that LCC internal audit were able to place assurance on the robust nature of the audits completed by Bradford Metropolitan Council on the West Yorkshire Pension Fund.

The Board was advised that a number of quality internal audits had been carried out by the West Yorkshire Pension Fund details of which were shown on page 164 of the report.

In conclusion, the Board was advised that the Pension Fund was regularly audited by external and internal audit to ensure that processes and controls were in place to manage both the investments and pensions administration effectively.

RESOLVED

That the Internal Audit of the Pension Fund report be noted.

### 13 EMPLOYER ISSUE - LCC IMPROVEMENT PLAN

Consideration was given by the Board to a report from Jo Ray, Pension Fund Manager, which provided an update and assurance on the progress in addressing the issue of outstanding leaver's information; and controls for data submission.

Claire Machej, Accounting, Investment and Governance Manager reminded the Board that the matter had been brought to their attention at their January meeting; and that the improvement plan had documented the actions to be taken to provide the West Yorkshire Pension Fund all outstanding leavers' information for 31 May 2018, which would allow West Yorkshire Pension Fund to process and issue all Annual Benefit Statements to employees within the statutory deadline. A further report had then been received at the March meeting, following which the Board's concerns had been raised with the Executive Director for Finance and Public Protection, which advised the Executive Director to self-report the breach to the Pension Regulator. The Council had subsequently self-reported the breach to the Pension Regulator. The Board had at their March meeting also requested a further update on the situation in June, as all information should have been submitted to the West Yorkshire Pension Fund.

The situation reported in June was that the backlog had not been fully cleared; the remaining 500 cases (approximately) were the more complex ones and required further information for completion. The Board was reassured that the backlog would be cleared within three months. The latest details as at the time of the report were shown on page 184 for the Board's consideration.

The report highlighted that the Leavers backlog was around 320 and was slowly reducing. The Board was advised that the Annual Benefit Statements queries had reduced; and the part time hour's mismatch had now reduced to 940.

The Board was advised that there were now monthly meetings between West Yorkshire, LCC and SERCO to improve communication; and to help resolve any future issues quicker.

Yunus Gajra, Business Development Manager, West Yorkshire Pension Fund advised that there were currently 618 leaver forms outstanding; this figure included current cases and normal requests. Some concern was expressed as to whether the number reported would be cleared by the end of September 2018. The Board was advised that the backlog needed to be cleared, as lots of members were in a state of uncertainty; and that some of the 320 leavers were coming up to pensionable age. Confirmation was given that all leavers coming up to pensionable age were being monitored.

One member queried as to what response had been received from the Pension Regulator.

The Board was advised that they had no confidence that the backlog would be cleared by the deadline. It was agreed that the Accounting, Investment and Governance Manager would look into what had been received from the Pension Regulator; and to the current situation in relation to the backlog situation. Once the current information was received, it was agreed that the Chairman of the Board would consider writing a letter to the Executive Director of Children's Services with a copy to the Section 151 Officer expressing the concerns of the Board; and to highlight the reputational risks to the Council.

#### RESOLVED

1. That the Employer Issue – Lincolnshire County Council Improvement Plan report presented be noted.
2. That once accurate backlog information was received. The Chairman of the LGPS Local Pension Board, in consultation with the rest of the Board consider writing a letter to the Executive Director of Children's Services (copy to be sent to the Council's Section 151 Officer) expressing the concerns of the Board regarding the backlog situation; and to the potential reputational risk to the Council.

14     ANNUAL REVIEW OF EMPLOYER SUBMISSIONS

The Pension Board gave consideration to a report from Jo Ray, Pension Fund Manager, which provided quarterly information on any late receipt of employer data or payments as part of the Fund Update report.

In guiding the Board through the report Claire Machej, Accounting, Investment and Governance Manager, made reference to the fact that all employers had a statutory responsibility to ensure that contributions were paid over to the Fund by the 19 of the month following their payroll. The report highlighted that there were robust processes in place for monitoring the receipt of payments and data from employers. Details of the process following when an employer pays or submits data late was described on page 188 of the report.

Appendix A provided the Board with a list of Late Payers for 2017/18. It was highlighted that most of the repeat offenders were academies/schools that were using external payroll providers. The Board noted that a number of academies had switched provider as a result of poor service, it was highlighted that it was hoped that the number of repeat offenders would reduce.

It was reported that during the current financial year, no employers had been referred to the Pension Regulator.

In conclusion, the Board was advised that the increase in employers over the last few years had meant that the monitoring of employer submissions had become a growth area for the Fund. The Board was advised further that the Fund and West Yorkshire Pension Fund continued to work very closely with employers and their payroll providers to ensure that there was an understanding of their responsibilities.

Following a short discussion, the Board agreed that for the 11 October 2018 meeting consideration would be given to the first five months data relating to late payers for 2018.

RESOLVED

1. That the Annual Review of Employer Submission report presented be noted.
2. That the first five months data relating to late payers for 2018 be presented to the 11 October 2018 meeting for the Board's consideration.

15     PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Board gave consideration to a report from Jo Ray, Pension Fund Manager, which presented the draft Annual Report and Accounts for the Pension Fund.

Attached at Appendix A was a copy of the Lincolnshire Draft Pension Fund Annual Report and Accounts for 2018. The Board was advised that the Pension Fund Report and Accounts had been approved by the Pensions Committee on 19 July

**10**  
**LGPS LOCAL PENSION BOARD**  
**25 JULY 2018**

2018; and that the County Council Accounts had been approved by the Audit Committee on 23 July 2018. It was reported that a summary of the Annual Report would be sent to all interested parties in due course.

Following a short discussion, it was agreed that an invitation should be extended to Mike Norman (External Audit) to attend the October meeting.

**RESOLVED**

1. That the Pension Fund Draft Annual Report and Accounts presented be noted.
2. That Mike Norman (External Audit) be invited to attend the October meeting.

**16**     **TRAINING NEEDS**

Dave Vickers, Scheme Member Representative advised that he had attended some CIPFA training in London, which he had found very useful. It was agreed that a copy of the presentation slides would be forwarded on to the Chairman.

Claire Machej, Accounting, Investment and Governance Manager highlighted to the Board a number of forthcoming training opportunities, all of which had been circulated to Board members, as part of the monthly update letter.

Particular reference was made to the 'Asset Allocation Training in a Post Pooling World', which had been organised for the Pensions Committee and the Board on Tuesday 11 September 2018 at 2.00pm; and to the Annual Border to Coast Conference scheduled to be held on the 8 and 9 of November 2018.

Confirmation was given that officers would maintain a log of all training undertaken by Board members.

**17**     **WORK PROGRAMME**

Claire Machej, Accounting, Investment and Governance Manager highlighted to the Board the items for consideration at the October meeting. These were:

- Employer Issue – Further update from LCC regarding the Improvement Plan;
- Risk Register – consideration of three items;
- External Audit (LCC) – (Mike Norman to attend); and
- Employer Data – first five months of 2018.

The Board was advised that there was to be a training session in February 2019 to focus on the 2019 Valuation to which Pension Committee and Pension Board members would be invited to attend.

Consideration was also given to Pension Board meetings taking place on the same day as the Pensions Committee from January 2019. The Board were happy with this concept. Officers agreed to look into this matter.

The meeting closed at 12.25 pm

This page is intentionally left blank

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>11 October 2018</b>
Subject:	<b>Pensions Administration Report</b>

**Summary:**

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund.

Yunus Gajra, the Business Development Manager from WYPF, will update the committee on current administration issues.

**Recommendation(s):**

That the Board note the report.

## **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 The table below shows the performance against key areas of work for the period 1 June 2018 to 31 August 2018.

LPF - KPI's for the Period 1.6.18 – 31.8.18					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	76	10	75	85	98.68
Age 55 Increase LG	4	20	4	85	100
Change of Address LG	259	5	247	85	95.37
Change of Bank Details LG	88	5	85	85	96.59
DG Nomination Form Received LG	1465	20	990	85	67.58
DWP request for Information LG	20	10	20	85	100
Death Grant to Set Up LG	30	5	29	85	96.67
Death In Retirement LG	156	5	148	85	94.87
Death In Service LG	3	5	3	85	100
Death on Deferred LG	14	5	12	85	85.71
Deferred Benefits Into Payment Actual	256	5	249	90	97.27
Deferred Benefits Into Payment Quote	301	35	297	85	98.67
Deferred Benefits Set Up on Leaving	752	20	704	85	93.62
Divorce Quote LG	41	20	40	85	97.56
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100
General Payroll Changes LG	54	5	50	85	92.59
Initial Letter Death in Service LG	3	5	3	85	100
Initial letter Death in Retirement LG	156	5	152	85	97.44
Initial letter Death on Deferred LG	14	5	13	85	92.86
Life Certificate Received LG	1	10	1	85	100
Monthly Posting	930	10	835	95	89.78
NI Modification LG	10	20	10	85	100
Pension Estimate	397	10	351	75	88.41
Refund Payment	258	10	255	95	98.84
Refund Quote	576	35	562	85	97.57
Retirement Actual	169	3	164	90	97.04
Set Up New Spouse Pension LG	63	5	54	85	85.71
Spouse Potential LG	6	20	1	85	100
Transfer In Actual	28	35	25	85	89.29
Transfer In Quote	41	35	41	85	100
Transfer Out Payment	4	35	4	85	100
Transfer Out Quote	136	20	118	85	86.76

Reasons for underperforming KPI's:

DG Nomination Form Received LG	Large volumes received as a result of issuing ABS. Forms are scanned onto records (and available if needed) but treated as low priority.
Monthly Posting	Queries on returns from Employers

## 2.0 Scheme Information

2.1 Membership numbers as at Sept 18 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	25,239	27,061	1,636	20,758	2,271
Councillors	0	39	0	43	-
<b>Totals nos</b>	<b>25,239</b>	<b>27,100</b>	<b>1,636</b>	<b>20,801</b>	<b>2,271</b>
Change	-1,579	+18	+380	+282	+389

2.2 Age Profile of the Scheme:

Status	Age Groups												TOTAL
	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	
Active	361	1706	1659	2142	2750	3221	4423	4146	3027	1502	234	66	25237
Beneficiary Pensioner	95	33	3	2	9	12	38	80	146	231	302	1585	2536
Deferred	4	466	1384	2213	2350	3083	5270	6048	4880	1285	34	3	27020
Deferred Ex Spouse	0	0	0	0	4	1	8	15	11	0	0	0	39
Undecided	19	154	177	168	230	253	257	184	103	61	19	11	1636
Pensioner	0	0	1	1	4	9	46	129	1169	4474	5105	7260	18198
Pensioner Deferred	0	0	0	0	0	0	0	1	2	0	0	0	3
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	1	12	5	6	24
Preserved Refund	32	318	192	177	180	238	286	320	221	153	109	46	2272
Councillors													82
<b>Total</b>													<b>77,047</b>

## 2.3 Employer Activity

### Academies and Prime Account Schools

Between 1 June 2018 to 31 August 2018, 1 academy became a Scheme employer in the Fund.

WYPF are currently working on 15 schools that are in the process of converting to academies or Prime Account Schools.

### Town and Parish Councils

Between 1 June 2018 and 31 August 2018 no Town or Parish Councils became Scheme employers.

### Admission Bodies

Between 1 June 2018 and 31 August 2018 there was one new Admission Body in the Fund.

WYPF are currently working on the admissions for 4 Admission Bodies.

### Employers ceasing Participation

Between 1 June 2018 and 31 August 2018 no employers ceased their participation in LPF.

### Number of Employers in LPF

These changes to employers bring the total number of employers in LPF as at 31 May 2018 to 262.

## 3.0 Praise and Complaints

3.1 Over the quarter April to June we received **3** online customer responses.

Over the quarter April to June **205** Lincolnshire member's sample survey letters were sent out and **26 (12.69%)** returned:

Overall Customer Satisfaction Score:

April to June 2017	July to September 2017	October to December 2017	January to March 2018	April to June 2018
78.63%	89.62%	91.74%	87.34%	72.1%

Appendix 1 shows full responses.

### 3.2 Employer Training

Over the quarter April to June one Employer session was held in Lincolnshire, Pensionable Pay. One session was cancelled due to lack of numbers.

Feedback from the event is attached at Appendix 2.

### 3.3 Employer Survey

An Employer Survey was recently carried out to identify areas of WYPF/LPF service with employers that could be improved.

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF/LPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Appendix 3 shows full responses.

## 4.0 Internal Disputes Resolution Procedures

4.1 All occupational pension schemes are required to operate an IDRPs. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Pension Fund Manager. Stage 2 appeals are considered by WYPF.

### **Stage 1 appeals against the fund**

One appeal decision in this period. No appeals currently outstanding.

### **Stage 1 appeals against scheme employers**

One appeal currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
28/11/2017	8040391	LCC  LCC have confirmed they have extended the deadline.	Appeal against being refused an ill health pension.			LCC have confirmed they have extended the deadline.

## **Stage 2 appeals**

1 appeal turned down in current period. 3 appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
8/6/18	8019981	Compass Point Business Services	Appeal against refusal to pay ill health pension.			LCC Legal have confirmed they have extended the deadline subject to receiving further documentation from the employer.
11/6/18	8047032	LCC	Appeal against refusal to authorise early payment of deferred benefit.	10/8/18	Turned down.	Satisfied that LCC had made their decision taking into account financial implications and matters of a compassionate nature.
23/7/18	8079811	LCC	Appeal against refusal to pay ill health pension.			Review of decision in progress.
16/8/18	8043598	LCC	Appeal against decision not to allow early access to deferred benefits on health grounds.			Awaiting consent form from member authorising access to information used to make decision.

## **Ombudsman**

4.2 One appeal outstanding against being turned down for early release of pension on ill health grounds.

## **5.0 Administration Update**

### **5.1 Annual Benefit Statements**

20,506 ABS have been produced by the statutory deadline of 31 August. This represents 99.20% of the active membership.

25,960 Deferred Benefit Statements have been produced by the statutory deadline of 31 August. This represents 100% of the deferred membership.

### **5.2 New Clients**

Since March 2018 WYPF have taken on 6 additional Fire clients to provide pensions administration for. This brings the total number of Fire clients to 13. One further Fire client will go live on 1 October. In addition, the London Borough of

Hounslow has joined the WYPF/LPF shared service partnership from 1 August 2018.

As a result of the extra business recruitment of additional staff is currently underway to appoint additional pensions administration staff in Bradford. This will be followed later in the year by a recruitment exercise in Lincoln. In addition, the IT teams at WYPF are being strengthened to maximise automation and efficiencies.

## **6.0 Current Issues**

### **6.1 TPR 2017/18 Scheme return – conditional data**

On 3 August 2018, Bob Holloway, secretary of the Scheme Advisory Board (SAB) informed administering authorities that, despite there being general support and agreement for a standardised basis for scoring conditional data for the purposes of the forthcoming scheme return; it has not proved feasible or cost effective for the first year.

Accordingly, administering authorities have been advised to adopt their own approach for scoring their 2017/18 conditional data. TPR has issued guidance on how to complete the 2018 pension scheme return, including the new questions on record keeping and measuring data. We understand TPR will issue the survey in September with a six-week window for completion.

The LGA intend to re-engage with administering authorities and stakeholders later in 2018, to re-open discussions about formulating a standardised basis for scoring conditional data for 2018/19 and beyond.

### **6.2 Equitable Life**

On 15 June 2018, Equitable Life announced that they have entered into an agreement to transfer the Society and all its policies to Reliance Life. As a result, they hope to be able to increase the current 35% capital distribution on with-profits policies to between 60% and 70%. However, for this to take place eligible policyholders will be asked to vote (expected to take place mid-2019) in favour of removing policy guarantees as well as on the arrangements to transfer to Reliance Life. 5.

Equitable Life's proposal (which is to be reviewed by an independent expert whose report will be made available to policyholders before voting) is as follows, to:

- increase the current 35% capital distribution to a level expected to be between 60% and 70%
- close the with-profits fund, which means the guaranteed investment return would end
- convert with-profits policies to unit-linked
- transfer all policies to Reliance Life

Following the vote, the proposal will be put before a High Court judge for approval. There is currently no action for policyholders to take. Equitable Life will provide more information in October 2019. The full background to this change can be found on Equitable Life's website.

### 6.3 HMRC

#### Launch of Manage and Register Pension Schemes service

On 4th June, HMRC launched the first phase of their new Manage and Register Pension Schemes service. This service will eventually replace Pension Schemes Online for the ongoing management and registration of all UK registered pension schemes.

At the launch of the service, HMRC issued a newsletter explaining what its plans are for the service. This followed a previous newsletter about Manage and Register Pension Schemes which was published in April.

After seeking clarification from HMRC regarding the new service, the LGPC Secretariat's understanding is that the new service is currently only operational for 'registering new schemes, and for registering new administrators who want to register a new scheme'.

A second release of phase one is planned for later in 2018. This will introduce new features for users of the new service. The rollout of Manage and Register Pension Schemes to existing users of Pension Schemes Online is due to take place in 2019 and 2020 as part of phase two. More details on HMRC's plans for the rest of phase one and for phase two are contained in the two newsletters linked above.

On 8th June, the LGPC Secretariat circulated an email to LGPS administering authorities inviting them to volunteer to attend two workshops on the development of the new service. The deadline for responding was Wednesday 20th June.

### 6.4 The Pensions Regulator

#### Proactive engagement with LGPS funds planned for 2018 and 2019

The Pensions Regulator's (TPR) Corporate Plan for 2018-2021 at page 18 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes. Following the publication of these new KPIs TPR has chosen the Local Government Pension Scheme as a cohort for proactive engagement throughout 2018 and 2019.

TPR has chosen Local Government schemes because, in their view, the results of the 2017 Governance & Administration Survey show that improvements in governance & administration standards have slowed when compared to other public service pension schemes.

Over the coming months, all LGPS scheme managers will receive written communications from TPR (and others involved with LGPS may also hear from TPR).

These will cover governance & administration matters including:

- the main risk areas scheme managers should already be focusing on
- what TPR's expectations are
- how those responsible for managing and running schemes can identify and mitigate such risks

The message from tPR is:

"We highly recommend that scheme managers and pension board members carefully consider the messages given. It is essential to have robust governance and administration in place for your scheme. However, it must be noted that there are no new expectations from us. All of the areas are already covered in TPR's Code of Practice 14 for Public Service Pension Schemes, and the associated guidance.

If you haven't already, we recommend that you complete TPR's Public Service toolkit to learn about managing public service pension schemes and to increase your knowledge and understanding.

We will engage further with a small number of scheme managers to undertake deeper regulatory engagement into each risk area, to understand what the current status is, the challenges scheme managers face, the extent of mitigation and improvement plans and how they are being implemented.

Good scheme governance & administration is a key factor to achieving positive outcomes for members. TPR will use its discretion in deciding whether it is appropriate to carry out further investigations and use its powers in situations where failings are identified."

#### 6.5 Burgess and others v BIC UK Ltd judgment – time limits for recovering overpayments

LGPS administering authorities should be aware of a judgment handed down by the High Court in April 2018, which clarifies that pensions overpayments recovered by way of adjustments to future payments are not subject to the statutory six year time limit on recovering overpaid amounts.

Whilst much of the Court's findings in the *Burgess and others v BIC UK Ltd* case were case-specific and without general relevance to the LGPS, this point is novel and was not addressed in the 2016 *Webber v Department for Education* case. It also goes against a determination from the Pensions Ombudsman on the matter, which found that time limits did apply.

The judgment goes on to state that where a pension scheme seeks to adjust future benefits to take into account prior overpayments and this approach is disputed by the recipient, an order by the County Court would be necessary to enforce the pension scheme's approach. This is in accordance with s91 of the Pensions Act 1995.

## 6.6 Consultation on protecting defined benefit pension schemes

In addition, DWP have commenced a consultation on improving the Pensions Regulator's powers with a view to better protecting private sector defined benefit schemes. The Government hope the proposals will create a stronger Pensions Regulator which can be more proactive and get involved earlier when employers make changes which could affect their pension scheme.

The consultation closes on 21st August 2018.

## 6.7 European Court of Justice ruling on transgender rights

The European Court of Justice has ruled in favour of a transgender woman who was refused payment of her UK state pension in 2008 at age 60 (on the grounds that she did not have a Gender Recognition Certificate (GRC)).

The woman was refused payment of her pension because, on changing her gender, she had not annulled her marriage. Under the Gender Recognition Act 2004, it was not possible to obtain a GRC unless the applicant had annulled their marriage (where applicable) upon changing their gender.

This was changed by the Marriage (Same Sex Couples) Act 2013, meaning that transgender people no longer need to annul their marriage to obtain a GRC. However, the change was not introduced retrospectively. The ruling by the Grand Chamber of the European Court of Justice found that this meant UK legislation (in relation to individuals who changed gender prior to the introduction of the 2013 Act) treated a person who changed gender after marrying less favourably than it treated a person who had retained his or her birth gender and was married. On this grounds, it was found that the UK legislation constituted direct discrimination based on sex.

The LGPC Secretariat will provide further information regarding the impact of this case for the LGPS in a future bulletin.

## 6.8 PSIG publishes updated version of code of practice on scams

The Pension Scams Industry Group (PSIG) has published version 2.0 of its code of practice on combatting pension scams.

The first version of the voluntary code was published in 2015 and set out key steps trustees, providers and administrators could take to identify possible scams.

The new version builds upon the content of the first but now:

- includes guidance on how schemes can talk to members about their transfer,
- recommends schemes refer insistent members to The Pensions Advisory Service (TPAS),
- makes it easier for schemes to report suspected scams to Action Fraud, and
- includes case studies portraying real cases.

In a recent determination, the Pensions Ombudsman (TPO) found a public authority (Northumbria Police) guilty of maladministration when, in 2014, transferring the member's savings out of the Police Pension Scheme (PPS). The authority did not carry out adequate checks on the receiving scheme and failed to provide the officer with the official TPR literature. The authority was ordered to reinstate the member's benefits in the PPS (or provide equivalent benefits) and to pay £1,000 damages for distress.

On 14 August, TPR announced that, in conjunction with the FCA they have launched a new ScamSmart TV advertising campaign to raise awareness of pension fraud and the most common tactics used by scammers.

## 6.9 Pensions dashboard – results of feasibility study delayed

It has been previously reported that DWP were conducting a feasibility study to explore the options for delivering the dashboard and that this was due to be published at the end of March 2018.

At the time of writing, the findings of this feasibility study have still to be published. Given it is now less than a year until the dashboard was originally due to launch (in April 2019), this would appear to make these timescales increasingly difficult to achieve.

## 7.0 Finance

### 7.1 Cost per member

#### **Shared service cost per member 2017/18 £14.35 (£14.91 for 2018/19 initial budget)**

The 2017/18 annual cost of administering WYPF is £14.35 per member. This is the amount that has been used to recharge LPF. The projected outturn for Pension Administration will result in shared services charge of £14.03, although this is likely to increase with the appointment of additional staff. The reduction in charges is due to increased member number from new partners. Our projected cost per member is therefore below our target cost of £17.

## 8.0 Other News

### LAPF Investment Awards

WYPF has been shortlisted under two categories at this year's LAPF Investment Awards which are recognized throughout the industry as a mark of excellence in the field of pensions fund investment/administration.

### LGPS Fund of the year (assets over £2.5 billion) – Scheme Administration Award

The winners will be announced at a special gala evening taking place at the Savoy Hotel in London on Thursday 20<sup>th</sup> September, 2018.

## 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.

## Appendices

These are listed below and attached at the back of the report	
Appendix 1	Customer Survey Results
Appendix 2	Feedback Summary
Appendix 3	Employers Survey

## Consultation

### a) Have Risks and Impact Analysis been carried out??

Yes

### b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## 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 Yunus Gajra, who can be contacted on 01274 432343 or [Yunus.gajra@wypf.org.uk](mailto:Yunus.gajra@wypf.org.uk).

## Customer Survey Results - Lincolnshire Members (1<sup>st</sup> April to 30<sup>th</sup> June 2018)

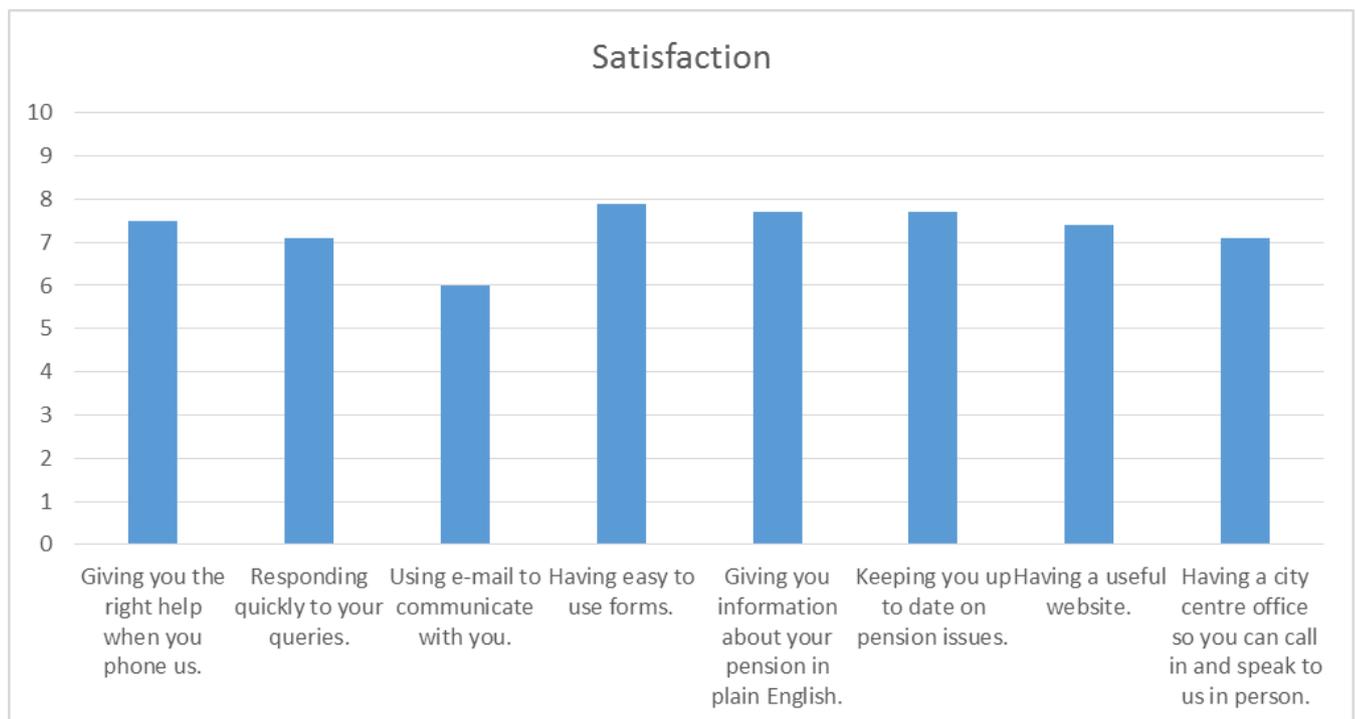
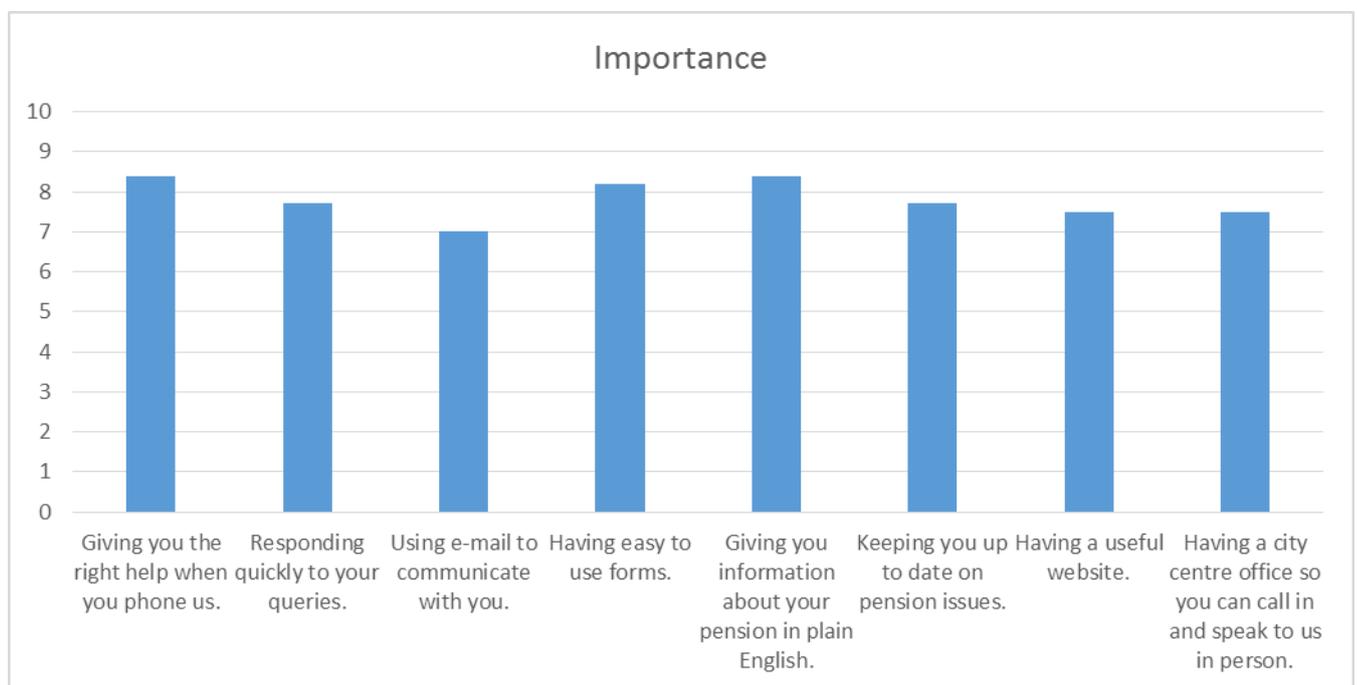
Over the quarter April to June we received **3** online customer responses.

Over the quarter April to June **205** Lincolnshire member's sample survey letters were sent out and **26 (12.69%)** returned:

Overall Customer Satisfaction Score;

April to June 2017	July to September 2017	October to December 2017	January to March 2018	April to June 2018
78.63%	89.62%	91.74%	87.34%	72.1%

The charts below give a picture of the customers overall views about our services;



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
8059215 (Member phoned)	Compliment for Hannah - Member stated she have provided him excellent service and thanked her so much for her help, he said the service he has received has been spot on and we have done everything he asked of us in a timely manner.
8048302 Online	Excellent. I sent an e-mail in the middle of Friday night, got an acknowledgement on the Monday and a hard copy reply in the post on Thursday. Most impressive. Thanks to Suki and her colleagues.
Online	WYPF officers have continued to provide very helpful and balanced, unbiased professional information so I could arrive at an informed decision regarding my best option.  Thank you for your continued input to help clarify pension options available through WYPF and for your patience in discussing matters towards a final decision.
8029977	Helpful / efficient, issues were quickly resolved. It is good to have personal contact with staff that know what they are doing. When I phoned it was answered promptly and in a helpful manner.
8026264	Excellent and reported to enquiries a timely manner. Very helpful. Made me feel nothing was too much trouble. Excellent service. Just need to be a clear about how rises can affect pension the final year of employment

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Corrective/ Preventive Actions</b>
8121744	Automatic opt in and then needed opt out, so unwanted payment paid which reduced my monthly pay. Still waiting for a refund, following opt out. Seems to be taking a while to sort out. I started work in November 17.	<p>Response sent by Naheed</p> <p>Thank you for taking time to complete and return our customer survey.</p> <p>On the 15th June we received confirmation from Lincolnshire that you had opted out of the scheme and they confirmed that they refunded your contributions in January 2018.</p> <p>Our scheme rules state if a member opts out within 3 months of joining, then the employer must refund the contributions paid. I am concerned that you have said you are still waiting for your refund. Please contact your HR department if this is still the case as the form they have sent us implies that it has already been refunded.</p> <p>Please contact me if you have any further problems.</p>

**Employer Feedback (LPF)  
Quarter 2 April – June 2018**

**One workshop was delivered and one was cancelled.**

**Pensionable Pay – 27 June 2018**

**Feedback score: 97.86%**

<b>Comment</b>	<b>Action taken</b>
None received	

**A summary of the compliments**

- A very useful course

This page is intentionally left blank

## LPF employer survey 2018 Priorities for improvement (PFIs)

### Purpose

To identify areas of WYPF/LPF service with employers that could be improved.

### Sample

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF/LPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

### Results

Replies received: 55

Overall result: 84.73%

A summary of previous year's results are in appendix A

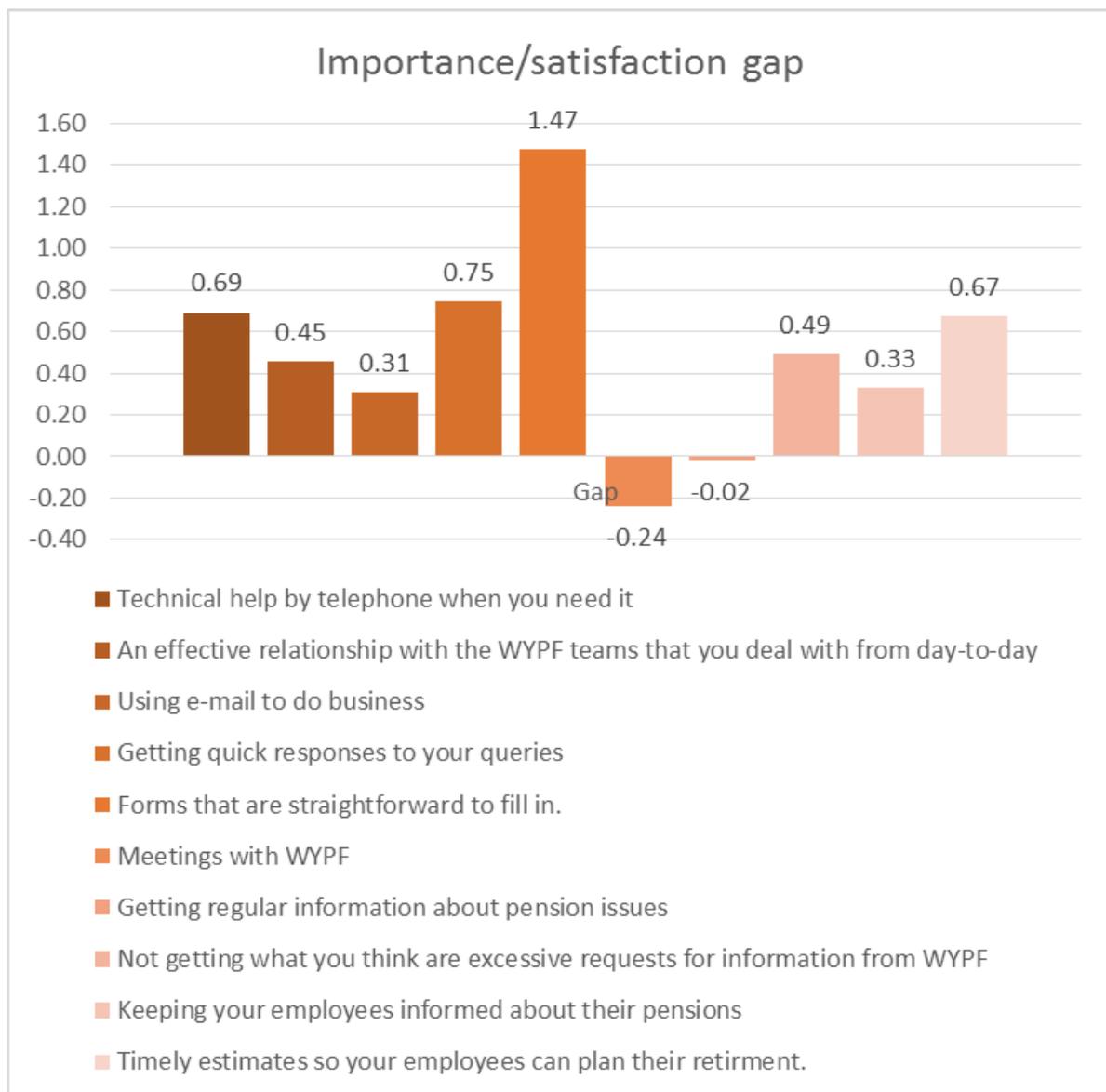


## Importance/satisfaction gap

Plotting the gap between the score for how important an area is to the customer against how satisfied they are with our performance allows the identification of the largest gaps quite easily.

Normally a greater gain in customer satisfaction will be achieved by closing a large gap rather than a small gap.

On a 10 point scale any satisfaction gap above 1 is a point of concern and action should be taken and gaps in excess of 2 are serious.



## Comments

### Any comments you would like to add?

Very impressed with affinity half day workshop for pre-retirement and the ongoing service offered.

I don't find the forms at all easy to complete, and yes I have been to the training.

Regarding employees, most need to make more effort to understand their pension provision and not expect it on a plate.

I am unable to answer the last question because as yet I haven't ever requested an estimate but have always been happy with other information requested.

Some more technical advice would be helpful - such as queries relating to contracted out NI where customer systems do not quote those figures. I have been asked several times for C/O NI values with e-mails going backwards and forwards but no advice or guidance offered as to how to arrive at the C/O values. E-mails saying 'does not agree with previous e-mails' or 'can you look at this again' aren't helpful! We do receive duplicated requests for the same information for individual Members so we are not sure if the information we originally send is uploaded onto a central database to avoid these multiple requests being received from other employees of WYPF.

Disappointed that a recent training session was cancelled due to lack of uptake as these are so beneficial. The training is excellent and very important, so hope that the workshops continue.

No experience of areas where one star granted as unable to leave blank. Pensions are administered on our behalf by a third party but any queries raised have been dealt with knowledgeably and efficiently. I have attended two training courses - both were helpful but I would suggest that it is recommended to attendees that they attend the basic introduction course before attending any others unless they have prior experience of pension's administration.

Working on my own I do need support as some information requested is difficult to understand. However I have a list of people to ring and they are always helpful.

Thank you,

I find the staff extremely helpful and knowledgeable, who do their very best to sort out complicated issues.

Staff always very helpful, meetings very informative and able to be accessed by people with very different pension knowledge.

The monthly returns seem to be behind several months and this has a knock on effect to our processing. As if issues are found on the January return but these are not being processed by WYPF until June it means that the correction cannot be

made by our self until June return, therefor 4 months returns contain the same error this has to be discussed each month for it to be resolved.

**How would you sum up WYPF/LPF's service in one sentence?**

Accessible, friendly and willing to help

Average

Useful helpful service with speedy responses

Contact with named person is very good but contact with WYPFEmail can be VERY repetitive.

Good

Efficient

A most efficient and customer focused service provider.

Great level of service, the team are very knowledgeable.

Very efficient

Excellent

Quite good but some email requests could be made a little clearer

Great efforts are made to explain the complexities of the LGPS scheme and employer obligations.

Always very willing and helpful and never make me feel a fool for questions I may ask!

Good but the computer system could be easier to use. Not very customer friendly.

All queries are dealt with quickly & confidently- giving us confidence in WYPF/LPF

Knowledgeable, friendly, professional

Developing into a stronger working partnership

Excellent

Good help and useful advice always at the end of the telephone

Very Good, thank you.

Very helpful and efficient

Good but with a little more could be excellent!

Overall service is good

Prompt and helpful

Our contact at LPF (KP) has been a pleasure to work with

Both professional and helpful at all times.

Very good

Helpful and to the point.

Doing OK.

Very good service

Very informative, helpful and reliable

Very helpful team who are always willing to support.

Great service and good day to day relationship with the team - keep doing what you're doing!

Good overall service to both us as an Employer and our Employees

## Appendix A – Summary of results Lincolnshire Pension Fund

Summary of results Lincolnshire Pension Fund	2016		2017		2018	
	Rank	Score	Rank	Score	Rank	Score
Technical help by telephone when you need it	8	-0.08	5	0.70	3	0.69
An effective relationship with the WYPF/LPF teams that you deal with from day-to-day	4	0.23	7	0.45	6	0.45
Using e-mail to do business	9	-0.15	8	0.24	8	0.31
Getting quick responses to your queries	3	0.31	4	0.73	2	0.75
Forms that are straightforward to fill in.	<u>1</u>	<u>0.85</u>	<u>1</u>	<u>1.58</u>	<u>1</u>	<u>1.47</u>
Meetings with WYPF/LPF	10	-1.00	10	-0.28	10	-0.24
Getting regular information about pension issues	2	0.38	8	0.24	9	-0.02
Not getting what you think are excessive requests for information from WYPF/LPF	5	0.23	2	1.14	5	0.49
Keeping your employees informed about their pensions	7	0.00	6	0.66	7	0.33
Timely estimates so your employees can plan their retirement.	6	0.08	3	1.03	4	0.67
Satisfaction Score (%)	91.47		83.42		84.73	
Number of replies	12		71		55	

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Pension Board</b>
Date:	<b>11<sup>th</sup> October 2018</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Board on Pension Fund matters and any current issues.

**Recommendation(s):**

That the Board note the report.

## **Background**

### **1 Responsible Investment**

1.1 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.
- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.
- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- **Consultations** – to respond to any relevant consultations.

1.2 The latest LAPFF engagement report can be found on their website at [www.lapfforum.org](http://www.lapfforum.org). Some of the highlights during the quarter included:

- During the last quarter, LAPFF has engaged with 17 companies on issues ranging from climate change reporting to human capital management and board composition.
- In this busy AGM season, the Forum issued several climate related voting alerts at a range of oil and gas, mining and transport companies. These related to climate change risk analysis, alignment with the Paris Agreement goals, disclosure of public policy advocacy on energy and climate change and fuel efficiency standards. Other voting alerts covered remuneration, proxy access and support for appointing an independent Chairman.
- Concerned over reports of poor human capital management, LAPFF engaged with Banco Santander on practices at its US subsidiary, as well as progressing engagement with Tesla Inc. A LAPFF executive member had a call with a Tesla representative to discuss a range of governance issues, including board composition, health and safety and employment standards. In addition, the Forum also organised a webinar to discuss the Company's most pivotal problems and issued voting advice to members.
- LAPFF has substantially contributed to the debate on the future of the Financial Reporting Council (FRC). Following the announcement of the Kingman Review, the LAPFF chair met with Sir John Kingman in May and put forward its view that the FRC should be disbanded. In June, the Kingman Inquiry issued a call for evidence, including an option that would result in the break-up of the FRC's functions and asking for structural solutions.
- The Forum has co-signed a letter to the US Securities and Exchange Commission (SEC) over new regulations that make it more difficult to file shareholder resolutions in the US. The letter sets out concerns, including that their staff's new analytical approach increases uncertainty and inefficiency, a new interpretation of micromanagement undermines investor engagement and a new approach to the applications of the rules encourages gamesmanship. A meeting is being sought to explore these concerns further.

1.3 Members of the Board should contact the author of this report if they would like further information on the Forum's activities.

## **2 TPR Checklist Dashboard**

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 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.

2.2 No areas have changed since the last quarter's report.

2.3 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 – It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager however, whilst all Board members have completed this training, certificates have not been received for all Committee members.*

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. Therefore 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 - Annual Training Plan of Committee shared with PB and all PB members invited to attend. Self-assessments were carried out in March, however no personal training plans have been put in place, as the*

*assessments have been used to identify training areas required across the Board.*

### **3 Breaches Reporting**

- 3.1 The Fund, and those charged with its governance, has a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged since recording began. Since the last Pension Board quarterly meeting, two breaches have been added. These are detailed below:
- 3.2 **Late payment of contributions** – a separate paper is presented to the Board at paper 9, updating the Board on all breaches over the financial year to date. In addition, the Pensions Team Finance Officer will present to the Board detailing the contribution monitoring process that is undertaken.
- 3.3 **Late receipt of member information** –WYPF have been working closely with Lincolnshire County Council and their payroll provider, Serco, regarding the outstanding data submissions, particularly in respect of leavers. LCC reported itself to the Pensions Regulator on 10<sup>th</sup> April, and have held monthly meetings since June to ensure that proper monitoring is undertaken. An update on their current position is shown at section 4 below.
- 3.4 A positive piece of news is that 99.1% of the Lincolnshire Annual Benefit Statements for active members were produced by the deadline of 31<sup>st</sup> August 2018. Only 173 statements were blocked (unable to be sent), and only 25 of these related to LCC as the employer. Generally statements are blocked due to missing information that the employer has not supplied. Work continues to clear these blocks to ensure all statements are released.

### **4 LCC Employer Issue Update**

- 4.1 LCC has been holding regular monthly meetings with Serco, as part of the improvement plan agreed with the Board earlier this year. Updates from these meetings have been communicated to the Fund and the Board.
- 4.2 Figures on the leavers' backlog have fallen from nearly 3,000 in January, when LCC first reported to the Board, to 274 as at 6<sup>th</sup> September. Unfortunately, this hasn't reduced much from the 320 reported at their July monthly meeting, when the guarantee was given that the backlog would be cleared by 30<sup>th</sup> September. The explanation for the slow progress was annual leave within the team and the prioritising of the annual benefits statement work. LCC have escalated this again with Serco on 25<sup>th</sup> September, and received the response that an additional resource had been identified and the team were now focussing on the final complex cases. Daily updates would be provided to LCC.

4.3 Comment from LCC is shown below:

"LCC is disappointed in the progress on leavers' backlog over the last couple of months. Following escalation of our concerns by the service manager, Serco have committed an extra resource from today.

We will be closely monitoring the progress over the next week and as agreed I will update you on the morning of the 9th October with the number outstanding and the revised completion date.

I will also update the breach to TPR once I have commitment to a completion date."

4.3 A verbal update will be provided at the meeting.

## **5 Risk Register Update**

5.1 A report on the risk register is brought to this Board at agenda item 8, therefore an update is not provided in this report.

## **6 Asset Pooling Update**

6.1 Border to Coast now has £7bn of assets under management, following the transition of a large part of the internally managed assets of three of the partner funds. Work is also continuing on the externally managed fund capability, with the planned launch of the UK Equity fund in Q4 2018, and a Global Equity fund in Q1 2019. The process for selecting and monitoring managers, developed with input from the partner funds and Mercers, was also approved by the company Board and reported to the Joint Committee.

6.2 Recruitment has continued to build the structure required to manage the partner fund assets. The key role of Chief Investment Officer had been undertaken by John Harrison in an interim basis, but has now been filled permanently, after the appointment of Daniel Booth, who started in early September. Daniel has significant experience across all asset classes and markets as well as in building investment functions for asset owners. He was previously responsible for leading the investment team responsible for pensions, insurance and endowment portfolios at Saudi Aramco (the Saudi Arabian Oil Company).

6.3 The Joint Committee (JC) last met on 10<sup>th</sup> July 2018, and the papers were circulated to all Pension Board members. The minutes will be circulated once approved, and below are the highlights:

- Shareholder Director appointment – following nominations and voting, Cllr John Weighall and Cllr Sue Ellis were selected as Shareholder Directors. This will be put to the Board for ratification and to shareholders for consent.

- Chairman and Vice Chairman of JC - following nominations and voting, Cllr Doug McMurdo (Bedfordshire) and Cllr Tim Evans (Surrey) were selected as Chairman and Vice Chairman respectively.
- Project and strategic updates – the JC were updated on progress to date, the governance charter, possible performance measures, the conflicts of interest policy, transition planning, the UK equity sub-fund launch, and the capability build of the alternatives platform.
- Scheme member representation on the JC – representation of scheme members using the current representatives on local Boards was approved, with a paper to be brought to the November meeting to agree process and number of representatives.

6.4 The next JC meeting is being held on 21<sup>st</sup> November and papers will be circulated to Board members. Any questions or comments on the papers should be directed to the Chairman of the Pensions Committee, Cllr Strengiel, who can raise them at the meeting.

#### **Advisor Days**

6.5 An advisor day was held in September for the partner fund's investment consultants and advisors to enable them to meet the senior management team and to provide an update on the sub-funds being.

#### **Transitions**

6.6 One of the initial principles in creating Border to Coast was that costs of the initial transitioning assets into the pool would be done in an equitable way. Opinion from Legal Counsel regarding the sharing of transition costs was received and Border to Coast has been liaising with MHCLG regarding options for the Partner Funds.

6.7 The simplest way to avoid any potential issues is for asset changes to be transitioned from the initial portfolios to the model portfolios within the sub-fund ACS. When actioned in here, all funds take a proportionate cost of transition relative to the assets they will have under management in the new sub-fund. In some instances, particularly in some overseas markets, it is more tax efficient for assets to be transitioned outside of the ACS, but this does not currently allow for transition costs to be shared across partner funds. As part of the transition planning process, Border to Coast will provide analysis of potential costs and benefits of transitioning inside or outside of the ACS before any transitions are made into each sub-fund.

#### **Workshops**

6.8 Officers are working closely with Border to Coast to ensure that the sub-fund offerings and the strategic asset allocations of the Partner Funds are aligned. A number of workshops have already been held, and more are

diarised over the coming months, covering alternative investments, global equities, responsible investment, the triennial valuation and fixed income. These will continue as the sub-fund offerings are developed.

- 6.9 A training session was held for both Board and Committee members on 11<sup>th</sup> September in County Offices covering the current investment strategy and how it might be mapped across to the Border to Coast sub-funds. Following this, a paper was brought to the October Pensions Committee to set out the considerations across each asset class, and provide a direction of travel of travel for the transition of funds.

### **Next steps for Lincolnshire**

- 6.10 The initial transition of any assets from the Lincolnshire Fund is not expected until early next year. Upon receipt of delegated authority, officers and advisors will continue to work closely with Border to Coast to ensure that the Global Equity Alpha sub-fund is fit for purpose and meets the investment strategy objectives of the Fund.
- 6.11 Much work is still to be done on the final sub-fund offerings, and it will be a number of years before all assets are transitioned into the management of Border to Coast. Officers will continue to update the Board on progress through the quarterly meetings and monthly letters as appropriate.

### **Conclusion**

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

### **Consultation**

#### **a) Have Risks and Impact Analysis been carried out?**

Yes

#### **b) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register

## **Background Papers**

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

## The Pension Regulator's and Scheme Advisory Board Compliance Checklist

### Summary Results Dashboard

No	Completed	Compliant
<b>Reporting Duties</b>		
A1	G	G
A2	G	G
A3	G	G
A4	G	G
<b>Knowledge &amp; Understanding</b>		
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
<b>Conflicts of Interest</b>		
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
<b>Publishing Scheme Information</b>		
D1	G	G
D2	G	G
D3	G	G
D4	G	G
<b>Risk and Internal Controls</b>		
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
<b>Maintaining Accurate Member Data</b>		
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
<b>Maintaining Contributions</b>		
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
<b>Providing Information to Members and Others</b>		
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
<b>Internal Dispute Resolution</b>		
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
<b>Reporting Breaches</b>		
J1	G	G
J2	G	G
J3	G	G
<b>Scheme Advisory Board Requirements</b>		
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

This page is intentionally left blank

## Lincolnshire Pension Board 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
31/7/15	Contributions	Late payment by LCC for June contributions, following late payment for April and May.	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Aware of breach, extenuating circumstances, trying to fix issues.	Reported through portal 31/7/15		
31/8/16	ABS's	100% required output of ABS's not met	Late receipt of ABS info to members	Not material and improvement on previous year – first full year of monthly returns	Not reported – total 92.6% of active and deferred produced overall – not material to report		
31/3/17	Contributions (see report)	Late payments over the year	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		
May 2017	Administration	Data security breach – a small number	Potential for individuals data to be seen by	WYPF contacted printing	Not reported to tPR. Small number		

Appendix B

		of ABS's went out unsealed	unauthorised individuals	company for explanation. Breach reported to information security officers at both WYPF and LPF	impacted, human error the cause.		
Sept 17	Contributions	Late payments May to August	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		Issue raised at LEAF meeting
Sept 17	LCC - Leavers information	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC given opportunity to provide improvement plan and timescales	Not reported, but under review.		
Dec 17	LCC - Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Improvement plan provided, presentation to Board to discuss in January	Not reported, but under review.		
Dec 17	Contributions - updated	Late payments Sept to November	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		Issue to be raised at March employers meeting
Mar 18	LCC Leavers information – updated	Outstanding leavers information not	Incorrect ABS's, over statement of	Update on improvement plan presented	Not reported, but under review.		

Appendix B

		sent to WYPF by LCC	liabilities	to Board to discuss in March			
March 18	Contributions - updated	Late payments December to February	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		Issue to be raised at March employers meeting
April 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	Reported		Regular updates to be provided to TPR and Board
July 18	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
July 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	TPR updated		Regular updates to be provided to TPR and Board
September 18	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
September 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	TPR updated		Regular updates to be provided to TPR and Board

Appendix B

		by LCC					

**Open Report on behalf of Pete Moor - Executive Director of Finance and Public Protection**

Report to:	<b>Pensions Board</b>
Date:	<b>11 October 2018</b>
Subject:	<b>Pension Fund Risk Register Review</b>

**Summary:**

This report brings back to the Board a copy of the Lincolnshire Pension Fund's Risk Register for the Board to undertake some further, more detailed scrutiny of three risks from the risk register.

**Recommendation(s):**

That the Board note the report, discuss the risks identified for further scrutiny and consider if any changes should be proposed to the Lincolnshire Pension Fund risk register.

**Background**

1. At the Board meeting in July members of the Pensions Board undertook the annual review of Pension Fund Policies, including the risk register. As part of this review the Board asked officers to bring the risk register back to the next Pensions Board meeting for a further, more detailed scrutiny, of three selected risks from the register.
2. **Appendix A** to this report is the current Pension Fund risk register. This documents the twenty-seven risks that have been identified, along with their mitigating controls. **Appendix B** describes the assessment criteria for the risk register (based on an assessment of the likelihood and impact for each risk).
3. This report now brings back to the Board three risks from the risk register and the opportunity for the Board to consider and review, in more depth, these risks. In considering these risks the Board might want to consider amongst other things:
  - If the risk identified on the risk register is appropriate;
  - That the risk and its consequences have been fully identified and documented within the register;

- That all existing mitigating controls in place are appropriate, and whether there are any further controls required to be put in place to reduce the risk; and
- Consider if the assessment of the risk posed to the Pension Fund been correctly assessed and categorised?

4. The risks identified for the Board to consider in more depth are:

- Economic uncertainty to the UK leaving the EU:

Description of Risk		Existing Controls	Status	Current Risk		Overall Current Risk Score
Source (Lack of.... Failure to ....)	Consequences (Results in ....Leads to ....)			L	I	
Economic uncertainty due to UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	Poor	4	3	12

- Risks associated with Asset Pooling:

Description of Risk		Existing Controls	Status	Current Risk		Overall Current Risk Score
Source (Lack of.... Failure to ....)	Consequences (Results in ....Leads to ....)			L	I	
Asset pooling - management of relationship with BCPP	Inability to implement asset allocation decisions Increased costs Reduced returns	Joint Committee Officer operation group Senior officer group	Fair	2	3	6
Asset pooling - transition of assets	Inability to implement asset allocation Impact on performance of costs	Officer operations group Workstreams within Border to Coast Communicate to Committee regularly S151 meetings	Fair	2	3	6

- The maturing nature of the fund:

Description of Risk		Existing Controls	Status	Current Risk		Overall Current Risk Score
Source (Lack of.... Failure to ....)	Consequences (Results in ....Leads to ....)			L	I	
Maturing Fund	Cashflow issues to pay pensions or commitments Increasing employer rates	Investment strategy Cashflow monitoring Discourage opt outs 50/50 scheme option Communication	Fair	3	2	6

5. **Appendix C** provides some further information on the risk register which the Board may like to consider when reviewing the three identified risks. When the Pensions Committee undertook their review of the risk register earlier in year they were interested to understand how the Lincolnshire Pension Fund risk register compared with other members of Border to Coast. This report (attached at **Appendix C**) sets out a comparison between the significant and moderate risks contained in the Lincolnshire Pension Fund Risk Register and those of the other eleven partner funds in Border to Coast.

## Conclusion

6. This report provides an opportunity for the Pensions Board to consider, in more depth three risks from the Lincolnshire Pension Fund risk register and consider if any amendments to the register should be proposed.

## Consultation

### a) Policy Proofing Actions Required

N/A

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Risk Register
Appendix B	Risk Register Scoring Matrix
Appendix C	Pensions Committee – Pension Fund Risk Register Review Report

## 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](mailto:claire.machej@lincolnshire.gov.uk).

This page is intentionally left blank

**Pension Fund  
RISK REGISTER  
Jo Ray**

**Areas covered**

Pension Fund Governance & Strategy  
Pensions Administration  
Pension Fund Investments

**Service Objectives**

- 1 Ensure there are enough assets to cover liabilities in the long term
- 2 To prepare the final accounts for the Pension Fund to the agreed timetable
- 3 To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels
- 4 To monitor the external investment managers and service providers to ensure they are acting within their IMA and/or SLA
- 5 To work in partnership with WYPF to ensure an effective and efficient Pensions Administration Service is provided
- 6 To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due

Sort by Risk ID

Refreshed July 2018

Sort by Current Overall Risk Score

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	Current Risk Score		Overall Current Risk Score
			Source (Lack of....Failure to ....)	Consequences (Results in ....Leads to ....)					L	I	
1		5	Contributions of payments of pensions • Non-collection • Miscoding • Non-payment	If it doesn't get discovered it effects employers accounting report and Valuation,final accounts and cashflow in pension fund	Jo Ray	Employer contribution monitoring Additional monitoring at specific times Reconciliations Improved employer contribution data Monthly returns checks UPM employer module Ongoing employer training	Good	Jo Ray	1	3	3
2		5	Inability to deliver the service either resource or finance in accordance with the agreement	Members of the pension scheme not serviced Statutory deadlines not met	Jo Ray	Performance Indicators General management indicators Bi-monthly meetings with WYPF Horizon Scanning Internal Audit Service Level Agreement Response to Audit Reports in the form of action plans Benchmarking & performance data Process management Error reporting Complaint reporting Customer Surveys	Good	Jo Ray	2	3	6
3		2,3,4,5	Loss of key staff and loss of knowledge & skills	Inability to deliver service Statutory requirements not met Damaged reputation Pensioners not paid Inability to make investment/administrati on decisions Loss of professional investor status under MIFIDII	Jo Ray	Diversified staff / team Look at other authorities with best practices to ensure LCC positions still desirable Attendance at pensions user groups, both WYPF and LCC Procedural notes which includes new systems as and when (LCC & WYPF) Section meetings / appraisals (LCC & WYPF) Regular team building (LCC & WYPF)	Fair	Jo Ray	2	2	4
4		5	Calculating and paying pensions correctly	Damaged reputation Financial loss	Jo Ray	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	Good	Jo Ray	2	2	4
5		4	Custodian bank (J P Morgan) goes bust	Inability to settle trades No reconciliation, accounting or performance service Loss of access to cash accounts	Jo Ray	Service level agreement with termination clause Regular Meetings Regular control reports Other Custodian options - review markets	Good	Jo Ray	1	3	3

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	Current Risk Score		Overall Current Risk Score
			Source (Lack of....Failure to ....)	Consequences (Results in ....Leads to ....)					L	I	
6		1,3,4	Poor investment performance from managers	Lower funding level Increase in employer contributions	Jo Ray	Performance measurement Managers report monthly Reporting to pensions committee Diversification across managers Manager meetings	Good	Jo Ray	2	3	6
7		1	Assets not enough to meet liabilities	Lower funding level Increase in employer contributions		Valuation Asset Liability Study Quarterly reporting of funding level Professional advice	Good	Jo Ray	2	3	6
8		1	Required returns not met due to poor strategic allocation	Damaged reputation Increase in employer contribution	Jo Ray	Professional advice Triennial review Performance monitoring Monthly Members letter Reporting to Pensions Committee	Good	Jo Ray	2	3	6
9		4	Non compliance of external managers	Damaged reputation Financial loss	Jo Ray	FSA regulated Manager due diligence Investment Management Agreements Manager monitoring Report quarterly to team Review every 3 years Qualified officers Additional managers meetings Termination clause	Good	Jo Ray	1	2	2
10		1,3,4	Financial regulations (e.g LCC / CIPFA) and statutory requirements not adhered to / legal guidelines not followed	LCC may incur penalties Damaged reputation Intervention from Secretary of State Intervention from the Pensions Regulator	Jo Ray	Underlying regulation of Fund Managers FM control reports Contracts in place setting out parameters LCC staff appropriately qualified and aware of policies and procedures Pension Fund managed in line with statutory regulations Membership of CIPFA Pensions Network, PLSA etc. Pension Board	Good	Jo Ray	1	2	2
11		1,3,4,5	Financial or administration decisions challenged	Ombudsman report reported to TPR	Jo Ray	Performance monitoring and reporting Monthly and quarterly reporting Admin processes and procedures	Good	Jo Ray	1	1	1
12		3,4	Personal gain (internal or external) through: • Fraud or misappropriation of funds • Manipulating share price	Financial loss Damaged reputation	Jo Ray	Declaration of interests Investment Management Agreements with Fund Managers Vetting of new Fund Managers through tender process Access restricted regarding transfer of funds - authorised signatories required Regulation of Fund Managers Insurance arrangements Code of Conduct Separation of duties	Good	Jo Ray	1	1	1
13		2	Financial Statements of Pension Fund incorrect or late	Damaged reputation Qualified accounts	Jo Ray	Agreed timetable Externally audited Qualified and trained staff Closedown procedures	Good	Jo Ray	1	2	2
14		1,3,4,5	Fraud risk not managed	Financial loss Damaged reputation	Jo Ray	Separation of duties Internal & external audit Monthly reporting Reconciliation procedures	Good	Jo Ray	1	3	3

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	Current Risk Score		Overall Current Risk Score
			Source (Lack of....Failure to ....)	Consequences (Results in ....Leads to ....)					L	I	
15		1,2,3,4,5	Governance requirements not met	Financial loss Damaged reputation Legal issues	Jo Ray	Governance compliance statement Pension Committee reporting Monthly member letter Investment Strategy Statement Funding Strategy Statement Trained Committee members and officers Pension Board	Good	Jo Ray	1	2	2
16		2,5	Increasing employer numbers and/or reducing covenant strengths	Increased workload Incorrect rates paid	Jo Ray	Admission agreements Bonds Employer covenant monitoring Contribution monitoring Employer communication and PFR roles	Good	Jo Ray	3	2	6
17		1,6	Maturing Fund	Cashflow issues to pay pensions or commitments Increasing employer rates	Jo Ray	Investment strategy Cashflow monitoring Discourage opt outs 50/50 scheme option Communication	Fair	Jo Ray	3	2	6
18		1,5	Pension Freedom and Choice rules	Impact on cashflow Process not followed	Jo Ray	Value of transfers monitored	Good	Jo Ray	1	2	2
19		1,3,4,6	Asset pooling - management of relationship with BCPP	Inability to implement asset allocation decisions Increased costs Reduced returns	Jo Ray	Joint Committee Officer operation group Senior officer group	Fair	Jo Ray	2	3	6
20		5	Employer breaches	Reporting to TPR Fines to employers Reputational risk to LCC and WYPF	Jo Ray	Make employers aware of responsibilities through Admin Strategy and training Reporting breaches procedure Contribution monitoring	Good	Jo Ray	1	2	2
21		5	Data issues with LCC	Data not submitted on time or accurately Statutory deadlines missed Members missing starter/leaver information Incorrect pensions paid/accrued to members Incorrect contribution rate for LCC calculated	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Concerns raised directly to employer	Fair	Jo Ray	3	2	6
22		1,6	Economic uncertainty due to UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Jo Ray	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	Poor	Jo Ray	4	3	12
23		4,5	Cyber security breach	Systems hacked Loss of Admin system leading to being unable to calculate and pay pensions Loss of data from third party service providers and managers	Jo Ray	WYPF and Bradford Council policies LCC policies External provider control reports	Good	Jo Ray	2	3	6
24		4,5	Non-compliant in Information Governance - incl. GDPR compliance	Risk of fines Reputational risk Personal/sensitive data in the wrong hands	Jo Ray	WYPF policies Reporting to Committee LCC policies	Fair	Jo Ray	2	3	6
25		1,3	Failure to meet requirements as a responsible investor - across all ESG risks	Reputational risk, loss of Fund value	Jo Ray	Stewardship code compliance Managers reporting requirements LAPFF membership Voting	Good	Jo Ray	1	2	2

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	Current Risk Score		Overall Current Risk Score
			Source (Lack of....Failure to ....)	Consequences (Results in ....Leads to ....)					L	I	
26		1,3,4	Failure to maintain professional investor status following the implementation of MIFIDII	Fire sale of assets, inability to implement investment strategy	Jo Ray	Use of LGA/SAB templates and letters, trained Committee, professional officers, use of investment advisors and consultants	Good	Jo Ray	1	2	2
27		1,3,4,6	Asset pooling - transition of assets	Inability to implement asset allocation Impact on performance of costs	Jo Ray	Officer operations group Workstreams within Border to Coast Communicate to Committee regularly S151 meetings	Fair	Jo Ray	2	3	6

**Risk Register Scoring Matrix**

The risk scores within the risk register are calculated using the risk matrix below:

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

For the **likelihood**, there are four possible scores:

1 HARDLY EVER	2 POSSIBLE	3 PROBABLE	4 ALMOST CERTAIN
Has never happened	Has happened a couple of times in last 10 years	Has happened numerous times in last 10 years	Has happened often in last 10 years
No more than once in ten years	Has happened in last 3 years	Has happened in last year	Has happened more than once in last year
Extremely unlikely to ever happen	Could happen again in next year	Is likely to happen again in next year	Is expected to happen again in next year

For the **impact**, there are four possible scores, but considered across four areas:

	<b>SERVICE DELIVERY</b> Core business, Objectives, Targets	<b>FINANCE</b> Funding streams, Financial loss, Cost	<b>REPUTATION</b> Statutory duty, Publicity, Embarrassment	<b>PEOPLE</b> Loss of life, Physical injury, Emotional distress
<b>4</b> <b>CRITICAL</b> Disastrous impact, Catastrophic failure	Prolonged interruption to core service  Failure of key strategic project	Severe costs incurred  Budgetary impact on whole Council  Impact on other services  Statutory intervention triggered	National media interest seriously affecting public opinion	Loss of life  Multiple casualties
<b>3</b> <b>MAJOR</b> Significant impact, Disruption to core services	Key targets missed  Some services compromised	Significant costs incurred  Re-jig of budgets required  Service level budgets exceeded	Local media interest  Comment from external inspection agencies  Noticeable impact on public opinion	Serious injuries  Traumatic / stressful experience  Exposure to dangerous conditions
<b>2</b> <b>MINOR</b> Minor impact, Some degradation of non-core services	Management action required to overcome short-term difficulties	Some costs incurred  Minor impact on budgets  Handled within management responsibilities	Limited local publicity  Mainly within local government community  Causes staff concern	Minor injuries or discomfort  Feelings of unease
<b>1</b> <b>NEGLIGIBLE</b> No noticeable impact	Handled within normal day-to-day routines	Little loss anticipated	Little or no publicity  Little staff comment	

Once the likelihood and the impact are assessed, this produces the overall risk score (e.g. likelihood = 3, impact = 2 then the risk score is 6). This means that it would fall into the blue area of the matrix, and is a higher concern than if it were in the green area.

**Open Report on behalf of Pete Moor - Executive Director of Finance and Public Protection**

Report to:	<b>Pensions Committee</b>
Date:	<b>04 October 2018</b>
Subject:	<b>Pension Fund Risk Register Review Report</b>

**Summary:**

This report brings back to the Committee a copy of the Lincolnshire Pension Fund's Risk Register along with an analysis of the risk registers of other partner funds within Border to Coast Pensions Partnership and a comparison to the Lincolnshire register.

**Recommendation(s):**

That the Committee note report and consider if there are any further risks which should be incorporated into the Lincolnshire Pension Fund risk register.

**Background**

1. At the Committee meeting in July members of the Pensions Committee undertook the annual review of the Pension Fund Risk Register. As part of this review the Pensions Committee asked officers to consider the Lincolnshire Pension Fund risk register in comparison to the eleven other partner funds within Border to Coast Pensions Partnership.
2. This review has been requested to provide the Committee with assurances that the risks captured for the Lincolnshire Pension Fund are in line with those of other similar organisations. It is also an opportunity for the Committee to consider, if there are any variances, whether any further risks should be added onto the Lincolnshire risk register.
3. **Appendix A** is the current Pension Fund risk register. Twenty-seven risks have been identified, along with the controls in place to mitigate them. The significant and moderate risks from the risk register have been compared to the other eleven funds. A commentary on the findings is set out in paragraphs 4 to 9 below.

## Significant Risks

4. The Lincolnshire Pension Fund Risk Register identifies just one significant risk. This relates to:
  - Economic uncertainty due to the UK leaving the EU. This may lead to volatility of markets, lower gilt yields and increasing inflation leading to higher liabilities (risk 22).
5. This has been identified by a number of the other funds as a significant risk, and as a moderate risk by other funds.
6. Other funds have also identified the following areas as posing a significant risk for them:
  - The transition to asset pooling (ranging from loss in asset value to the ability of the new asset pooling companies to deliver value for money/savings). *Lincolnshire has this as a moderate risk (risks 19 & 27).*
  - Solvency issues arising from reduced asset returns which would force an increase in employer contributions. *Lincolnshire has this as a moderate risk (risks 6-8).*
  - Inaccuracies in actuarial assumptions (including pay increases, prices inflation and pensioner longevity varying significantly from the assumptions used by the actuary), again leading to an increase in employer contributions. *Not included within Lincolnshire risk register.*
  - The impact of Markets in Financial Derivatives Directive II (MIFID II) and the ability of funds to demonstrate they meet the new requirements on an ongoing basis. *Lincolnshire has this as a low risk (risk 26).*
  - Appropriately qualified and experienced staff. *Lincolnshire has this as a moderate risk (risk 3).*

## Moderate Risks

7. The Lincolnshire Pension Fund Risk Register identifies sixteen moderate risks. In addition to the above moderate risks the Lincolnshire Risk Register also includes:
  - Risks associated with pension's administration. Including:
    - The inability to deliver an effective pensions administration service in accordance with statute and the agreement in place with West Yorkshire Pension Fund (risk 2);

- Contributions from employers are not collected, miscoded or not paid. Impacting on employer accounting reports, valuations and pension fund accounts and cashflows (risk 1); and
  - Incorrect calculation and payment of pensions, damaging the pension fund reputation and incurring financial loss (risk 4).
  - Custodian bank goes bust, with the consequence of the fund not being able to settle trades and having no accounting or performance services (risk 5).
  - Fraud risks not effectively managed leading to financial losses and damaged reputation (risk 14).
  - Increasing employer numbers and/or reducing convenient strengths, will increase workloads which could lead to incorrect rates being paid (risk 16).
  - Maturing fund, effecting cashflow and the pension funds ability to pay pensions which may cause contribution rates to rise (risk 17).
  - Employer data issues – specifically relating to the fund's largest employer, Lincolnshire County Council. Data not submitted on time or accurately could lead to: missing statutory deadlines, calculating members pensions and accrued benefits incorrectly and possibly setting an incorrect contribution rate for the employer (risk 21).
  - Cyber security breach, including pension's admin system data and third party service provider data (risk 23).
  - Non-compliance with new information governance legislation – General Data Protection Regulation (GDPR) (risk 24).
8. These risks have also been identified by a large number of the other funds within their risk registers.
9. In addition to the significant and moderate risks already identified in the Lincolnshire Pension Fund risk register above. Other funds have also identified the following areas as posing a moderate risk for them:
- Pension fund committee members having insufficient knowledge and advice to make correct decisions. *Not included within Lincolnshire risk register.*
  - Inability to implement changes to the scheme design within statutory time requirements. *Not included within Lincolnshire risk register.*
  - Failure to complete the reconciliation between pension fund and Department of Work and Pensions records for the Guaranteed Minimum Pension within the deadline set by government (GMP rec). *Not included within Lincolnshire risk register.*

- Conflicting work priorities for both fund and administration leading to lack of direction and missed opportunities. *Not included within Lincolnshire risk register.*

10. Generally the risks identified in the Lincolnshire Pension Fund Risk Register are in line with the other Border to Coast funds. The significance of the risks may vary between funds, although this is to be expected as the sizes, maturity and geographic location of funds also vary.

11. The review also identified a small number of risks which do not currently form part of the Lincolnshire Pension Fund risk register (highlighted in paragraphs 6 and 9 above). The Committee may wish to consider if any of these risks pose a threat to the Lincolnshire Fund and should be added to the risk register.

## Conclusion

12. A review of the Lincolnshire Pension Fund Risk Register in comparison to the risk registers of the eleven other Border to Coast Pension Funds has been undertaken. Although the format and detail contained within the risk registers varies between funds the overarching themes and content are broadly similar. Variances have been brought to the Pensions Committees attention for consideration.

13. This review should provide the Committee with reasonable assurance that the Lincolnshire risk register is appropriate and fit for purpose.

## Consultation

### a) Policy Proofing Actions Required

N/A

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Risk Register

## 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](mailto:claire.machej@lincolnshire.gov.uk).



## Regulatory and Other Committee

**Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>11 October 2018</b>
Subject:	<b>Employer Data Submissions Update</b>

**Summary:**

This report introduces a presentation that provides detail and explanation on Employer Data Submissions for the first four months of the financial year 2018/19.

**Recommendation(s):**

That the Board note the presentation and the report.

### Background

- 1 The Board received the Annual Review of Employer Submissions at its meeting in July. In considering the report, the Board were concerned about the number of late contributions or late data submissions during the financial year 2017/18. In light of this the Board requested further information on the late contributions and data for the first four months of the current financial year to date (April – July data and contributions).
  
- 2 A summary of all late contributions or data submissions since April 2018 is set out in the table below and details of the individual employers can be found at **Appendix A**.

#### Late contributions and data submissions April – July 2018.

Month	Submission of Data		Payment of Contributions	
April	15	6.0%	6	2.4%
May	23	9.1%	2	0.8%
June	7	2.8%	5	2.0%
July	9	3.6%	4	1.6%
<b>Total for 2018/19</b>	<b>54</b>		<b>17</b>	

- 3 As can be seen from the analysis the number of employers making late contributions is a relatively small percentage of the overall number of

employers. The high number of late data submissions at the beginning of the financial year was a result of changes to a number of payroll providers systems. These have now been bedded in, which can be seen in the resultant drop in numbers. None of these 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.

- 4 Contribution monitoring is managed within the LCC Pensions Team and each employer is contacted in any instance of late contributions or data submissions and these are recorded as part of the monitoring system. When the Fund has recorded late contributions/submissions in three out of six months on a rolling basis, the employer will receive a fine (currently set at a minimum of £96). Since April 2018 nine employers have been fined on this basis.
- 5 The Accounting, Investment & Governance Manager and Pensions Finance Technician will provide a presentation to the Board, setting out more details on the process for monitoring contributions and data submissions, details on the performance to date this financial year and a summary of actions taken to improve the timeliness and quality of data submitted.

## Conclusion

- 6 The Pension Board requested additional information on the timeliness of contributions and data submissions from employers for 2018/19. This report and presentation brings to the Board this information for the first four months of the financial year.

## Consultation

### a) Have Risks and Impact Analysis been carried out?

Yes

### b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	List of Late Contributions or Late Data Submissions (April 2018 to July 2018)

## Background Papers

This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

This page is intentionally left blank

**LATE CONTRIBUTIONS OR LATE DATA SUBMISSIONS****April 2018**

<b>Employer</b>	<b>Late Contributions</b>	<b>Date received</b>	<b>Late Data Submissions</b>	<b>Date submitted</b>
Aspens (Monks Dyke Tennyson)	No		Yes	23/05/2018
Lincolnshire Housing Partnership	Yes	23/05/2018	Yes	23/05/2018
Easy Clean Contractors Ltd	No		Yes	23/05/2018
Edwards and Blake	No		Yes	23/05/2018
Gainsborough Town Council	No		Yes	22/05/2018
GLL	No		Yes	23/05/2018
Lindsey Marsh Internal Drainage Board	Yes	24/05/2018	Yes	22/05/2018
Magna Vitae Leisure Trust	Yes	21/05/2018	No	
Pinchbeck Parish Council	Yes	23/05/2018	No	
Charles Read Academy	No		Yes	23/05/2018
Giles Academy Old Leake	Yes	21/05/2018	Yes	23/05/2018
Gosberton House	No		Yes	23/05/2018
Hillcrest Early Years	No		Yes	23/05/2018
Holbeach Primary Academy	No		Yes	23/05/2018
Lincoln Carlton Academy	Yes	23/05/2018	No	
Skegness Grammar Academy	No		Yes	24/05/2018
The Thomas Cowley Academy	No		Yes	23/05/2018
University Academy, Holbeach	No		Yes	23/05/2018

Total = 6

Total = 15

**May 2018**

<b>Employer</b>	<b>Late Contributions</b>	<b>Date received</b>	<b>Late Data Submissions</b>	<b>Date submitted</b>
Aspens (Monks Dyke Tennyson)	Yes	20/06/2018	Yes	22/06/2018
Bourne Town Council	No		Yes	19/07/2018
GLL	No		Yes	20/06/2018
South Kesteven District Council	No		Yes	21/06/2018
Benjamin Adlard Academy Gainsborough	No		Yes	25/06/2018
Bourne Academy	No		Yes	21/06/2018
Cherry Willingham Parish Council	No		Yes	25/06/2018
Gosberton House School	No		Yes	17/07/2018
Grantham Gonerby Hill Foot CofE Primary School	No		Yes	28/06/2018
Heighington Millfield Primary Academy (Priory)	No		Yes	20/06/2018
Hillcrest Early Years Academy	No		Yes	20/06/2018
Holbeach Primary Academy	No		Yes	17/07/2018
Lincoln Carlton Academy	No		Yes	22/06/2018
Ling Moor Primary Academy (Priory)	No		Yes	20/06/2018
Manor Farm Academy	No		Yes	20/06/2018
Mount St Academy	No		Yes	25/06/2018
Pinchbeck Parish Council	Yes	17/08/2018	No	
The Kings School	No		Yes	21/06/2018
The Priory Federation Of Academies	No		Yes	20/06/2018
The Priory Pembroke Academy	No		Yes	20/06/2018
The Thomas Cowley Academy Donington	No		Yes	17/07/2018
University Academy Holbeach	No		Yes	17/07/2018
Waddington All Saints Primary Academy	No		Yes	21/06/2018
Witham St Hugh's Academy	No		Yes	20/06/2018

Total = 2

Total = 23

**June 2018**

<b>Employer</b>	<b>Late Contributions</b>	<b>Date received</b>	<b>Late Data Submissions</b>	<b>Date submitted</b>
Active Lincolnshire	Yes	28/08/2018	Yes	07/08/2018
City of Lincoln Council	Yes	06/08/2018	No	
Compass Group	Yes	Not received	Yes	Not received
GLL	No		Yes	11/09/2018
Lincoln BIG	No		Yes	07/08/2018
Lindsey Marsh Internal Drainage Board	Yes	20/07/2018	Yes	25/07/2018
Grantham Gonerby Hill Foot CofE Primary School	No		Yes	20/07/2018
Holbeach Bank Primary Academy	No		Yes	24/07/2018
Pinchbeck Parish Council	Yes	17/08/2018	No	

Total = 5

Total = 7

**July 2018**

<b>Employer</b>	<b>Late Contributions</b>	<b>Date received</b>	<b>Late Data Submissions</b>	<b>Date submitted</b>
Active Lincolnshire	Yes	28/08/2018	No	
Compass Group	Yes	Not received	Yes	Not received
GLL	Yes	20/08/2018	Yes	12/09/2018
Grantham College	No		Yes	20/08/2018
Lindsey Marsh Internal Drainage Board	No		Yes	28/08/2018
South Holland District Council	Yes	20/08/2018	No	
South Kesteven District Council	No		Yes	17/09/2018
Bracebridge Infant And Nursery School	No		Yes	Not received
Skegness Grammar Academy	No		Yes	31/08/2018
Washingborough Parish Council	No		Yes	Not received
The Kings School	No		Yes	20/08/2018

Total = 4

Total = 9