



LGPS LOCAL PENSION BOARD

TUESDAY, 27 FEBRUARY 2018 at 2.00 PM

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

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Members' Interests	
3	Minutes of the previous meeting of the LGPS Local Pension Board held on 15 January 2018	3 - 10
4	Employer Issue - LCC Improvement Plan <i>(To receive a report by Jo Ray (Pension Fund Manager) which provides an overview of the concerns raised by the Board relating to the information provided by Lincolnshire County Council to the Fund's Administrator, West Yorkshire Pension Fund. Representatives of LCC will be invited to provide assurance on how these issues are being addressed)</i>	11 - 12
5	Annual Report and Accounts - Additional Information <i>(To receive a report by Jo Ray (Pension Fund Manager) which introduces a presentation providing additional details and explanation on areas of the Pension Fund Annual Report and Accounts, as requested by the Board)</i> <i>Note: This item was deferred from the meeting of the LGPS Pension Board held on 15 January 2018</i>	13 - 14

6 Work Programme

(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)

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Should you have any queries on the arrangements for this meeting, please contact Andrea Brown via telephone 01522 553787 or alternatively via email at andrea.brown@lincolnshire.gov.uk



**LGPS LOCAL PENSION BOARD
15 JANUARY 2018**

PRESENT:

Employer Representatives: Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers (in the Chair)

No Councillors attended the meeting as observers

Officers in attendance:-

Andrea Brown (Democratic Services Officer), Debbie Eldridge (Serco), David Forbes (County Finance Officer), Yunus Gajra (Business Development Manager, WYPF), Jo Ray (Pension Fund Manager), Claire Machej (Head of Finance (Corporate)), Graham Morgan (Serco) and Vicki Sharpe (HR Advisor, LCC)

21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr R Buttery, Chairman.

RESOLVED

That Mr D Vickers, Scheme Member Representative, take the Chair for this meeting only.

22 DECLARATIONS OF MEMBERS' INTERESTS

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

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

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

23 MINUTES OF THE PREVIOUS MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 18 OCTOBER 2017**RESOLVED**

That the minutes of the previous meeting of the LGPS Local Pension Board held on 18 October 2017 be agreed as a correct record and signed by the Chairman.

24 EMPLOYER ISSUE - LCC IMPROVEMENT PLAN

Consideration was given to a report from Jo Ray (Pension Fund Manager) which gave an overview of the issues between the employer in the Fund (LCC) and the provision of necessary information to the Fund's administrator, West Yorkshire Pension Fund (WYPF).

Jo Ray (Pension Fund Manager) introduced the report and explained that it had been reported at the last meeting that the Fund's largest employer, LCC, had developed a backlog in providing detailed leaver information to the Fund's administrator. The Board requested that the Pension Fund Manager meet with all parties (LCC, Serco, WYPF and the Fund) to discuss the issue in detail.

It was confirmed that this meeting had been held in November where it was agreed that Serco would work with WYPF to ensure that current leavers were dealt with correctly at the point of leaving and develop an improvement plan to address the backlog. LCC also agreed to improve the monitoring process of the situation and to provide update reports on a monthly basis once the improvement plan had been implemented.

This issue had been logged on the breaches register but not, at this stage, reported to the Pensions Regulator on the understanding that an improvement plan would be implemented.

The Chairman welcomed Vicki Sharpe from LCC and Debbie Eldridge and Graham Morgan from Serco to the meeting and invited them to provide assurance that the situation was improving and that LCC were monitoring performance across all areas of the payroll contract to ensure that the statutory responsibilities of the employer were being met.

Debbie Eldridge confirmed that Serco had handled the backlog as an emergency, employing an additional member of staff to oversee the completion of the process. It was reported that this work was now on track to deliver to the plan agreed, with more than 200 forms submitted to WYPF last week. It was also advised that this work was an area of priority and that the problems had stemmed from the implementation of the Agresso system in 2015 and its reported inability to produce the complex data required. It was explained that changes were often necessary due to the problems with the system which started in 2015 although it was expected that the issues encountered 2015, 2016 and 2017 would be resolved by April 2018.

Vicki Sharpe reported that these issues formed part of the overall payroll and data issues which had been included on the Council's Risk Register and were being discussed at the highest level of the Council. Pete Moore, Executive Director of Finance and Public Protection, was the Scheme Manager for this work. A Project Governance and Assurance Board had also been established to ensure that all relevant managers were working towards the resolution of these issues.

Yunus Gajra (Business Development Manager, WYPF) confirmed that information had been received from the payroll provider but that the quality of this information had been questionable. It was reported that WYPF had no confidence in the quality of data being presented.

During discussion, the following points were noted:-

- Due to recent experience, WYPF confirmed that they had no confidence that data received would be correct. Serco representatives indicated that they could not give complete assurance that information provided to WYPF would be correct although it was expected that most data from April 2018 onward would be accurate following the system upgrade;
- The Board expressed concern that assurance could not be given that future data would be 100% correct. This could cause significant reputational damage for both WYPF and LCC and was unacceptable;
- The Board was also concerned that LCC, as the employer, appeared to be acting reactively to these issues rather than proactively;
- It also appeared that there was little understanding of the employers responsibilities for pensions set by The Pensions Regulator (TPR) or that these responsibilities may not seem to be a priority;
- Vicki Sharpe advised that there had been little stability due to the turnover of staff within Serco but now that this had been addressed, the situation appeared to be stabilising. It was also reported that guidance would be appreciated as the team were learning 'on the job'. This also raised concern for the Board;
- Clarification was provided that LCC had contracted to deliver a full payroll system, including pension deductions, and this contract was awarded to Serco following a thorough procurement process. Unfortunately, to-date, this service had not been delivered to the level of the contract;
- It was confirmed that all employers within the scheme where Serco managed their payroll had been affected by the issues, including schools;
- LCC had been advised by Serco that there were 83 pension issues as a result of the Agresso system. It had then been agreed to prioritise and rectify the top 18 which included issues with the Fire Pension Scheme;
- Although payroll issues had been reported at the relevant Council meetings, the specific impact or severity of these issues for pensions had not been reported to the Pensions Committee or the LGPS Local Pension Board.
- Serco were unable to provide a date for when all the data for 2015, 2016 and 2017 would be correctly calculated which increased the Board's concern;
- Serco confirmed that all data going forward would be accurate from April 2018. A mirror system had been set up to calculate data from Agresso and all this

**LGPS LOCAL PENSION BOARD
15 JANUARY 2018**

data had been completely correct for pensions. As a result, Serco confirmed that they confident that this data was accurate and up-to-date;

- The Board requested actual figures of those employers and employees affected by these issues. It was confirmed that this data had been provided to the Corporate Management Board and would be circulated after the meeting;
- It was indicated at a previous meeting that there was an expectation that approximately 10% of the files may be incorrect. However, it now appeared that there was significantly more than 10% and the Board requested an indication of the actual scale of the problem. Serco indicated that until their specialist consultants had completed the review of the system and could understand what had gone wrong, a full assessment could not be undertaken. It was reported that this work should be complete in time for April 2018;
- The Board noted that WYPF had factored in a 10% error margin but reported that they would not be prepared to process any higher as it would incur extra work, cost, disruption to members and reputational damage to WYPF. It was also noted that WYPF had an obligation to other employers within the fund and not just LPF.

The Chairman thanked representatives from LCC and Serco for providing an update to the Board and stressed that the situation faced in relation to pensions was extremely serious and must be rectified as soon as possible. Before the representatives left the meeting, the Chairman reiterated the request for information by the Board during the discussions which was expected to be circulated following the meeting.

Discussion continued and the Board agreed that the level of the issues were greater than anticipated. Not only was the backlog greater with no clear date for rectification but the accuracy of the data presented to WYPF gave greater concern.

LCC and Serco were unable to give any assurance that data being sent to WYPF would not need to be resent should errors be found or that data would be correct going forward due to ongoing system cleaning. Consequently, the Board did not feel confident that LCC would be able to clear any backlog in the agreed timescales. Additionally, the Board was concerned that LCC was not undertaking appropriate monitoring of its payroll provider to ensure that it was meeting all the pension related requirements set out within the LGPS Regulations. Therefore, the Board was minded to report LCC to The Pensions Regulator.

However, the Board agreed to write to LCC, in the first instance, advising that they would be allowed one month to provide further assurance that the process of clearing backlogs in LGPS pensions related data was being sufficiently managed and that, as an employer of the fund, LCC was meeting its responsibilities to the Pension Fund as set out in the administration strategy.

The Board also agreed to hold an additional meeting of the LGPS Local Pension Board on Tuesday 27 February 2018 at 2.00pm where LCC would be required to provide assurance and also to present a clear, ongoing, monitoring and reporting plan. Should the Board remain dissatisfied with the progress, there would be no option but to report the employer (LCC) to The Pensions Regulator.

RESOLVED

1. That the report and improvement plan be noted;
2. That a letter be sent to Lincolnshire County Council advising of the Boards dissatisfaction with the progress in relation to the backlog of Leavers Information; and
3. That an additional meeting of the LGPS Local Pension Board be arranged for Tuesday 27 February 2018 at 2.00pm.

At 11.35am, the Chairman adjourned the meeting and reconvened at 11.40am.

25 PENSIONS ADMINISTRATION REPORT

The Chair of the Board welcomed Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) to the meeting and invited him to introduce the report which provided a quarterly update on current administration issues.

Mr Gajra introduced the report and highlighted the following areas to note:-

- Members were asked to note that there was an error on Page 18 of the agenda pack. "Number of Employers in WYPF" should read "total number of employers in **LPF**";
- It was confirmed that the LGPC Secretariat had received a Counsel's conclusion that assistant coroners were now eligible for membership of the scheme;
- A legal opinion had been circulated by the LGPC Secretariat in relation to the implications of the EU's General Data Protection Regulation (GDPR) for the LGPS;
- Work was also underway at a national level by the communications working group to produce a number of sample documents for LGPS administering authorities to make use of in their preparations for GDPR;
- The Government intended to bring forward measures to restrict the likelihood of pensions scams occurring which included the introduction of a cold calling ban;
- The cost of £13.62 per member for 2017/18 had been used to recharge LPF for this year. The cost target for shared service pension admin was to maintain a cost target of £17 per member and the projected cost for 2018/19 pension admin shared services was estimated at £15.05, therefore below target.

A presentation was given which provided an update on General Data Protection Regulation (GDPR) and covered the following areas:-

- Example data map;
- Where is data stored?
- Who is processing our data?
- What personal data is held?
- What is data being used for?
- Who are the data subjects?

- Who is data shared with and how?
- How long is the data kept?
- Record of Processing Activities;
- Is data secure?
- Summary of tips; and
- Data map with risks.

The Board was invited to ask questions, during which the following points were noted:-

- It was confirmed that historical records held on microfiche were held securely at County Offices although a decision would be required on necessity of keeping these indefinitely; and
- The Board was assured that both WYPF and LPF were working towards being compliant with the new General Data Protection Regulation (GDPR) and anything which specifically related to Lincolnshire would be notified to the Pension Fund Manager.

RESOLVED

That the report be noted.

26 PENSION FUND UPDATE REPORT

Consideration was given to a report by Jo Ray (Pension Fund Manager) which provided an update on Pension Fund matters and included current issues.

The latest engagement report of the Local Authority Pension Fund Forum (LAPFF) could be found on their website at www.lapfforum.org.

The Pension Fund Manager continued by referring to the TPR Checklist Dashboard and confirmed that there had been no changes since the last update report. However, the report noted that H5 & H6 (Maintaining Contributions) were 'grey' as these contributions were provided directly by Prudential with no Pension Fund involvement. The Prudential had addressed the Pensions Committee on 11 January 2018 and advised that they would provide a certificate proving that all AVC certificates had been issued within the required timescale. Once that certificate had been received, these indicators would then change to green.

In relation to the Risk Register, the Board noted that Risk 24 – *UK Leaving the EU* – remained red due to the uncertainty surrounding Brexit. Risk 28 – *opting up to professional investor status under MIFIDII requirements* – had moved from red to green since the last meeting. Risk 22 – *resourcing issues within the LCC team* – has moved from red to blue since the last meeting, following the appointment of an Accounting, Investment and Governance Manager. However, this would not turn green until a six month phased transition into the team had been completed.

Two additional breaches had been added to the breaches report, *Late Payment of Contributions* and *Late Receipt of Member Information*. As previously reported, both of these issues were being addressed by all parties concerned.

During discussion, the following points were noted:-

- It was explained that information from schools and academies in relation to 'Late Payment of Contributions' and 'Late Receipt of Member Information' was occasionally inaccurate as the cash did not match the data. There was a requirement for all of this information to be received on time and if late on three occasions fines were issued unless extenuating circumstances were agreed;
- The Board was advised that the BCPP had secured an office in Leeds city centre, close to the railway station; and
- The results of The Pensions Regulator Annual Governance Survey would be presented to the Board once received.

RESOLVED

That the report be noted.

27 PENSION BOARD TRAINING

Consideration was given to a report by Jo Ray (Pension Fund Manager) which provided an opportunity for the Board to consider potential training opportunities to assist them in maintaining the knowledge and skills required to undertake their duties.

Following the last meeting, Board members had requested further information on the main funds detailed within the top holdings and matters relating to financial markets and Products Knowledge, Procurement and Relationship Management from the Knowledge and Skills Framework. These areas would be covered at Minute No. 28.

In September 2017, the Pension Regulator (TPR) formally launched a campaign on 21st Century Trusteeship which could be found on its website at <http://www.thepensionsregulator.gov.uk/21st-century-trusteeship.aspx> . The overall programme had been divided into three themes:-

- Good governance;
- Clear roles and responsibilities; and
- Clear purpose and strategy.

It was explained that TPR were not creating new or higher standards of governance but instead making clearer what they thought good governance should look like and the potential consequences should these standards not be met.

Members were encouraged to log anything on their training records which they had done or attended to assist them with their role on the Board. It was confirmed that this could include attendance at conferences or pensions meetings as these would also provide insight into the current position of pensions.

8
LGPS LOCAL PENSION BOARD
15 JANUARY 2018

The Pension Fund Manager advised the Board that a training session had been arranged, along with Pensions Committee members, for 22 March 2018. The topic of this session had not yet been decided.

RESOLVED

That the report be noted.

28 ANNUAL REPORT AND ACCOUNTS - ADDITIONAL INFORMATION

Due to the time taken by the Board to fully consider 'Employer issue – LCC Improvement Plan' and in addition to the absence of the Chairman, it was suggested that this item be deferred and considered at the additional meeting on 27 February 2018.

RESOLVED

That this item be deferred to the meeting on Tuesday 27 February 2018 at 2.00pm.

29 WORK PROGRAMME

Following discussion, the Board was asked to advise the Pension Fund Manager of any areas, in addition to the standard items, they would wish to consider at future meetings.

The Board also agreed to schedule an additional meeting on Tuesday 27 February 2018 to consider the following items :-

- Employer issue – LCC Improvement Plan Update; and
- Annual Report and Accounts – Additional Information

RESOLVED

That an additional meeting of the LGPS Pension Board be arranged for Tuesday 27 February 2018 at 2.00pm.

The meeting closed at 12.53 pm



Regulatory and Other Committee

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

Report to:	LGPS Local Pension Board
Date:	27 February 2018
Subject:	Employer Issue – LCC Improvement Plan

Summary:

The Pension Board have previously been made aware of an issue with an employer in the Fund, LCC, in providing certain required information to the Fund's administrator, WYPF. Following a report to the Board by LCC in January, LCC have been invited again to provide assurance to the Board on how they are addressing this issue.

Recommendation(s):

That the Board consider the progress of the improvement plan and agree any further action required.

Background

- 1 It has previously been brought to the attention of the Board that the Fund's largest employer, LCC, had developed a backlog in providing detailed leaver information to the Fund's administrator, WYPF. At the last meeting in January the Board received a presentation from LCC and their payroll provider discussing how they were addressing the situation and setting out an improvement plan.
- 2 Following extensive questioning by the Board, it was agreed that a formal letter would be written to LCC, setting out the Board's concerns, and requesting a further appearance at an additional meeting to be held in February.
- 3 Fiona Thompson, Service Manager – People, for LCC will today present an update to the Board to provide assurance that the situation is improving and that LCC are monitoring the performance across all areas of the payroll contract to ensure that the statutory responsibilities of the employer are being met.

- 4 The Pension Fund monitors the performance of the scheme employers against their statutory responsibilities, and ensures that the Pension Board is made aware of any issues. The Board will consider whether any action is required, and will look to work with the Fund, WYPF and the employer to address any concerns.

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk .

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

Report to:	LGPS Local Pension Board
Date:	27 February 2018
Subject:	Annual Report and Accounts – Additional Information

Summary:

This report introduces a presentation that provides additional details and explanation on areas of the Pension Fund Annual Report and Accounts that the Board have identified where they would like additional information.

Recommendation(s):

That the Board note the presentation and the report.

Background

- 1 The Pension Fund Annual Report and Accounts, as at March 2017, was taken to the Pension Board meeting on 18th October. In considering the report, the Board requested further information on some areas within it, to improve their knowledge and understanding. It was agreed that all Board members would inform the Pension Fund Manager of any areas where further information would be useful.
- 2 Following the meeting, comments from two Board members were received. The areas identified for further information were:
 - an overview of the main funds detailed within the top holdings (p11 of the report and accounts); and
 - matters relating to Financial Markets and Products Knowledge, Procurement and Relationship Management from the Knowledge and Skills Framework – in particular how do the external managers support the Funding and Investment Strategy, and the wider relationships with managers.
- 3 The Pension Fund Manager will provide a presentation to the Board, as part of a training session, to cover the questions raised by Board Members.

Conclusion

- 4 The Pension Board have requested additional information on two areas within the Pension Fund Annual Report and Accounts, to assist in their knowledge and understanding. As part of the on-going training that is provided to the Board, the Pension Fund Manager will provide a presentation to cover the areas identified.

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

There are no background papers.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk .