Lincolnshire COUNTY COUNCIL
Working for a better future

LGPS LOCAL PENSION BOARD

THURSDAY, 3 OCTOBER 2019 at 2.00 PM

COMMITTEE ROOM ONE, COUNTY OFFICES, NEWLAND, LINCOLN LINCS LN1 1YL

MEMBERS OF THE BOARD

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

Employer Representatives (voting)**:** Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives (voting)**:** Kim Cammack and David Vickers

AGENDA

Item	Title	Pages
1	**Apologies for Absence**	
2	**Declarations of Interest**	
3	**Minutes of the previous meeting held on 18 July 2019**	3 - 12
4	**Pension Fund Update Report** *(To receive a report from the Head of Pensions, which updates the Board on Fund matters and any current issues)*	13 - 26
5	**Pensions Administration Report** *(To receive a report from the Business Development Manager – WYPF, which provides an update on current administration issues for the Fund)*	27 - 44
6	**Temporary Bank Accounts** *(To receive a report from the Business Development Manager – WYPF, which provides an update on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries to the scheme)*	45 - 50

7	**Data Scores** *(To receive a report from the Business Development Manager – WYPF, which updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator (TPR) as required under this year's TPR returns)*	51 - 68
8	**Employer Monthly Submissions Update** *(To receive a report by the Accounting, Investment and Governance Manager, which provides up to date information on Employer Monthly Submissions for the first quarter of the financial year 2019/20 (March to June))*	69 - 74
9	**Pension Fund External Audit Report** *(To receive a report from the Accounting, Investment and Governance Manager, which summarises the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report)*	75 - 96
10	**The Pensions Regulator - Public Service Governance and Administration Survey 2018 - Research Report** *(To receive a report from the Accounting, Investment and Governance Manager, which introduces the Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report)*	97 - 152
11	**2019 Valuation Update Report** *(To receive a report from the Head of Pensions, which invites the Board to note the report and approve the draft results)*	153 - 154
12	**Draft Funding Strategy Statement** *(To receive a report from the Head of Pensions, which invites the Board to note the report and consider the draft Funding Strategy Statement)*	155 - 206
13	**Training Needs** *(To allow the Board to identify any possible training needs)*	
14	**Work Plan** *(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)*	

Published on Wednesday, 25 September 2019

Should you have any queries on the arrangements for this meeting, please contact Cheryl Evans via telephone 01522 552113 or alternatively via email at cheryl.evans@lincolnshire.gov.uk

Lincolnshire COUNTY COUNCIL
Working for a better future

LGPS LOCAL PENSION BOARD
18 JULY 2019

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Councillors: Mr A N Antcliff attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Cheryl Evans (Democratic Services Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions).

1 APOLOGIES FOR ABSENCE

The Chairman welcomed Gerry Tawton (Employer Representative) and Kim Cammack (Scheme Member Representative) to their first meeting of the Board.

Andrew Crookham (Executive Director – Resources) and Andy Antcliff (Co-Opted Member of the Pensions Committee) were also welcomed to the meeting.

It was reported that there were no apologies for absence.

2 DECLARATIONS OF INTEREST

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

Gerry Tawton declared that his wife was a deferred member of the Pension Fund.

Kim Cammack declared that she was a paying member of the Pension Fund.

3 MINUTES OF THE PREVIOUS MEETING HELD ON 21 MARCH 2019

During consideration of the minutes it was queried whether, under Minute 42 – Minutes of the previous meeting held on 10 January 2019, whether the issue with the Academy School that had outsourced its cleaning services had now been resolved. The Head of Pensions agreed to make some enquiries and email the Board with a response.

RESOLVED

That the minutes of the meeting held on 21 March 2019 be approved as a correct record and signed by the Chairman.

4 SCHEME MEMBER AND EMPLOYER REPRESENTATIVE BOARD APPOINTMENTS

Consideration was given to a report by the Head of Pensions, which introduced and welcomed the new scheme member and employer representatives to the Pension Board.

The Board was advised that the terms of office for Board members were set out within the terms of reference and were for a period of four years. The terms of office of members were staggered to ensure continuity of membership, which meant that every two years the Board was subject to change.

The Board welcomed Gerry Tawton (Employer Representative) and Kim Cammack (Scheme Member Representative).

RESOLVED

That the report be noted.

5 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters.

The Board was reminded that to assist in the governance of the Lincolnshire Fund, the Fund assessed 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, as detailed at Appendix A to the report.

The Board was assured that no areas had changed since the last quarter's report, however in B12 there was now only one member of the Pensions Committee yet to complete their TPR Toolkit training. The Board was advised that this would be addressed.

It was highlighted that a meeting of the Joint Committee had been held on 4 June 2019, and the papers had been circulated to all Pension Board members. A summary of the meeting was detailed on page 19 of the agenda pack. The next meeting of the Joint Committee was scheduled for 11 September 2019.

The scheduled visit to Border to Coast Offices on 11 July 2019 had been cancelled, owing to a low up-take and therefore officers would be looking to rearrange later in 2019 or early 2020. The Democratic Services Officer was requested to identify potential dates.

The Board was provided an update on the Good Governance Project, as detailed on page 20 of the Agenda Pack, and it was advised that the Scheme Advisory Board had appointed Hymans Robertson in early 2019 to consider options for enhancing LGPS governance arrangements to ensure that the Scheme was ready for the challenges ahead and at the same time retains local democratic accountability. As part of this, a survey was issued, which was open to all stakeholders, requesting views on four example governance models. The four models were detailed in the report and it was advised that Options 3 – Joint Committee and 4 – New local authority body were like to have been ruled out as a proposal, based on feedback received.

It was expected that the Ministry of Housing, Communities and Local Government would soon introduce a mandatory level of training and knowledge for the Pensions Committee, in line with that already in place for the Board.

Furthermore, it was reported that the Pensions Committee at its meeting on 18 July 2019 had supported this approach and voted to adopt a requirement for a mandatory minimum level of training for all Committee members.

The Head of Pensions invited Members to provide feedback on any conference or training events that they had recently attended.

Members were asked to notify the Head of Pensions or the Accounting, Investment and Governance Manager if they wished to attend the Border to Coast conference or any other future training events.

It was explained that the Actuarial Contract was due to expire in December 2019, and to reduce any potential impact to the Fund and employers should there be a change of provider, the Pensions Committee at its meeting on 18 July 2019 had approved a ten month extension to the contract to 31 October 2020.

RESOLVED

That the report be noted.

6 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report by the Business Development Manager, which provided a quarterly update on current administration issues within the Lincolnshire Pension Fund.

Members were referred to Appendix C of the report, for a list of all of the current national LGPS Administration Issues.

Reference was made to the membership numbers as at June 2019, which were detailed at 2.1 on page 57 of the report, and it was advised that the change in active membership from last quarter of -1,053 was owing to work undertaken to reduce outstanding leavers and to link periods of membership numbers, where a link was required.

The Board was advised that the Annual Benefit Statements (ABS) for 2019 had been revamped to show more options to the member. Those options now included pension figures for certain milestones, for example when the member reaches 55 years old, 60 years old and pensionable age. It was hoped that this would reduce the number of queries from members. Furthermore, it was advised that to date 86.7% of ABS for 2019 had been issued to members. It was also advised that to date, 88.1% of Deferred Benefit Statements had been issued.

Members were provided with an opportunity to ask questions, where the following points were noted: -

- It was confirmed that the McCloud appeal decision, as detailed in the report, had been upheld, and depending upon any rectification agreed, WYPF would potentially be required to undertake a recalculation exercise which would impact on workloads;
- Reference was made to the uncertainty of staff costs in the finance section of the report, due to the proposed restructuring of the WYPF team. It was confirmed that this was an independent review, with an aim of ensuring it was fit for purpose;
- It was highlighted that the WYPF had won the Pensions Administration Award held by the European Pension Awards held in London on 20 June 2019;
- Reference was made to table under the Shared Service Budget section of the report, as detailed on page 60 of the Agenda Pack, and it was requested that in future, the information contained within the report referred to the Shared Service Budget instead of the WYPF as a whole;
- The appeals against the fund, as detailed on page 59 of the Agenda Pack, were discussed and it was agreed that these would be updated as some of the appeals had been lodged at the beginning of 2019, but had no marked outcome. Furthermore, it was requested that the way in which the *Corrective/Preventive Actions* information, as detailed on pages 64 and 65 of the Agenda Pack, be improved.

RESOLVED

That the report be noted.

7 TEMPORARY BANK ACCOUNTS

Consideration was given to a report from the Business Development Manager, which provided an update on the number of temporary bank accounts created by West Yorkshire Pension Fund (WYPF) to hold monies due to beneficiaries of the scheme.

The Board was advised that for a number of years, WYPF had set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who were entitled to a pension scheme benefit but had lost contact with WYPF.

The number of temporary deposit accounts currently held for lost contact pensioners/deferred members was 56, which amounted to £93,763.83. The number

of temporary deposit accounts held for post 2014 preserved refunds amounted to seven, totalling £148.70.

In response to a question, WYPF reviewed annually the bank accounts and carried out further traces to see if the member could be located. This could be through the national fraud initiative, using a trace agency or other means.

It was hoped that scheme members would notify the Fund of changes in address via the recently introduced, Members Portal.

RESOLVED

(1) That the report be noted.

(2) That a further update be provided to the Board at its next meeting, including timescales of how long each unclaimed benefit had been listed.

8 THE PENSIONS REGULATOR - DATA SCORES

Consideration was given to a report by the Business Development Manager, which provided an update on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator (TPR), as required under this year's TPR returns.

Data quality was important to the Fund, as well as being a requirement of The Pensions Regulator; it could affect the employer contributions at the next valuation and could impact on the reputation of the Fund.

The Board was advised that the Fund continually reviewed the quality of data held throughout the year and strived to keep it as complete, accurate and up-to-date as possible. The Pensions Regulator required Funds to undertake a review of data quality at least annually and the report consolidated the work undertaken in compliance with the requirement.

The Board was advised that whilst the quality of data was currently considered to be good with the Fund, there were improvements that could be made and as a result, a data improvement plan had been developed.

RESOLVED

(1) That the report and the Data Improvement Plan be noted.

(2) That a further update be provided at a future meeting.

9 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided up-to-date information on Employer Monthly Submissions for the fourth quarter of the financial year 2018/19 (January to March).

It was highlighted that there were circa 270 employers within the Lincolnshire Pension Fund. All employers had a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over any contributions due to the Fund by the 19th of the month following their payroll. The Fund considered an employer a 'late payer' if either the cash and/or the data was received after this date or was incorrect at this date.

The Board was advised that much work had been put in to building a good relationship with the employers and payroll providers, to assist in understanding the process and the data required.

A summary of all late contributions or data submissions since April 2018 was set out in table one on page 94 of the Agenda Pack, and details of the individual employers for quarter four could be found at Appendix A to the report. None of the breaches individually had been material and therefore had not been reported to the Pensions Regulator; however they had been included en masse in the breaches register.

In response to a question, it was advised that the late submission of contributions or data could be as a result of a variety of reasons. However, the Lincolnshire Pension Fund Finance Technician was in regular contract with employers and their payroll providers to prompt payments/data submissions and clarify any queries.

If an employer is late making contribution payments or submitting data in three out of six months on a rolling basis, they would receive a fine, unless they were able to offer extenuating circumstances. Fines were currently set at a minimum of £136. Table Two on page 95 of the report detailed the number of late contribution fines to April 2018 to March 2019.

RESOLVED

That the report on the Employer Monthly Submissions Update be noted.

NOTE: At this point in the meeting, the Board adjourned at 3.40 pm and reconvened at 3.50 pm.

10 LINCOLNSHIRE PENSION FUND RISK REGISTER

A report by the Head of Pensions was considered, which presented the Pension Fund Risk Register and Risk Management Policy for review.

The Board was advised that it was considered best practice to have identified the high level risks associated with managing a Pension Fund and to have put appropriate controls in place. The risk register had been reviewed and updated to reflect the latest best practice guidance and a risk management policy had been drafted. Copies of the draft Risk Management Policy and Pension Fund Risk Register – July 2019, were attached at Appendices A and B to the report, respectively.

It was highlighted that the Pensions Committee at its meeting on 18 July 2019 had considered and approved recommendation to amend the score of one risk, at risk P1, following the commencement of the new Executive Director – Resources from red to blue. It was also advised that on page 110 of the agenda pack, the status for P1 should read *Fair*, rather than *Poor.*

RESOLVED

That the content of the risk register and risk management policy be noted.

11 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report by the Accounting, Investment and Governance Manager, which presented the draft Annual Report and Accounts for the Pension Fund.

The Pension Fund Annual Report and Accounts for the year ended 31 March 2019, as detailed at Appendix A to the report, had been completed and had been independently audited by the Council's external auditors, Mazars. The accounts also form part of the Lincolnshire County Council Statement of Accounts. The Annual Report and Accounts had been produced taking into account the guidance produced by CIPFA.

The Board was advised that, the Audit Committee was scheduled to receive the External Auditors draft Audit Completion Report for the Lincolnshire Pension Fund on 22 July 2019. Based on the audit work undertaken to date officers had been advised that there was one unadjusted identified mis-statement for 2018/19, which was just above the 'trivial' threshold for reporting to the Audit Committee. The unadjusted mis-statement identified had a net £710k impact on the Investment Asset Balance in the financial statements. The variances was due to timing differences between the valuation reports available to officers when the draft financial statements were prepared and the latest valuation reports available during the audit.

The Board was assured that the differences, which were attributable to the timing of the availability of information, were not unusual and the difference was not to be amended by Management. Management would review its accounting practice in relation to the valuation approach for private equity, property and infrastructure in 2019/20 to accommodate this type of movement.

The KPIs, as shown in the Administration section of the Annual Report, were discussed and it was noted that these were reviewed regularly to ensure that they were fit for purpose.

RESOLVED

That the draft Fund Annual Report and Accounts be noted.

12 2019 VALUATION ASSUMPTIONS

Consideration was given to a report by the Head of Pensions, which detailed the final assumptions that the Fund's Actuary, Hymans Robertson, was proposing to use for the 2019 Triennial Valuation.

The Board was reminded that the LGPS Regulations required that a valuation of the Fund's assets and liabilities was undertaken every three years by the Fund's appointed Actuary. This was known as the Triennial Valuation. The output provides a funding level percentage and sets the contribution rates that each Fund employer was required to pay for the next three years.

It was highlighted that Appendix A to the report explained in detail how the financial and demographic assumptions had been set, and the table on page 304 of the Agenda Pack summarised the assumptions used in the 2016 valuation, the proposed assumptions for the 2019 valuation and the reason for any changes. It was confirmed that the Pensions Committee at its meeting on 18 July 2019 had approved the proposed 2019 assumptions, as detailed in the report.

It was confirmed that the proposed 2019 assumption of 2.0% p.a. for the Investment return margin was appropriate whilst being prudent. It was noted that this had been increased owing to output from modelling of portfolio returns.

It was also confirmed that the statutory deadline for completing the Valuation process and approving the Funding Strategy Statement of 31 March 2020 would be met.

RESOLVED

That the report be noted.

13 BORDER TO COAST PENSION BOARD CHAIRS MEETING

Consideration was given to a report by the Accounting, Investment and Governance Manager, which set out the minutes from the Border to Coast Pension Board Chairs' meeting, held on 22 May 2019.

The Chairman advised that of the twelve members, seven were in attendance.

A discussion took place regarding Minute 2 – Governance of Border to Coast, where the Board Chairs compared practice around the sharing of information with Boards and Committees with regard to Border to Coast activity, particularly any information that was of a confidential or exempt nature.

The Board supported the current arrangements undertaken by Lincolnshire County Council, as Members of the Board received the same level of information as the Committee and this was deemed necessary to enable the Board to effectively scrutinise the work of the Committee. Furthermore, it was suggested that it might be necessary for this arrangement to be formalised by members of the Board signing

confidentiality statements. It was agreed that the Democratic Services Officer would take this action forward.

RESOLVED

(1) That the minutes from the Border to Coast Pension Board meeting held on 22 May 2019 be noted.

(2) That the Democratic Services Officer be requested to ascertain whether it be necessary for members of the Board to sign confidentiality statements to enable them to receive confidential or exempt information.

14 TRAINING NEEDS

A training session had been scheduled for all members of the Pensions Committee and Pensions Board.

The training session was scheduled to take place on 3 September 2019 from 1.00 pm – 4.00 pm and would cover the following topics:

- Investment beliefs
- Responsible Investment beliefs
- Investment Strategy modelling that is going into the Valuation
- Review of the strategy as it feeds into the Border to Coast sub-funds.

A further training event would be held in February 2020; however the date and topics were yet to be confirmed.

The Board was reminded that the Pension monthly newsletter contained information on relevant external training events. Should any of the members wish to book onto one of these events, they should contact the Accounting, Investment and Governance Manager.

15 WORK PLAN

The Accounting, Investment and Governance Manager set out the proposed work plan for the next meeting of the Board.

It was highlighted that the draft valuation and funding statement would be presented to the Board at its meeting in October 2019.

The meeting closed at 5.00 pm

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pension Board**
Date:	**03 October 2019**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Fund matters over the quarter ending 30 June 2019 and any current issues.

The report covers:

1. Local Authority Pension Fund Forum Membership
2. TPR Checklist Dashboard
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Investment Consultant Objectives
7. Conference and Training Attendance

Recommendation(s):

That the Board note the report.

Background

1 Local Authority Pension Fund Forum Membership

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. Some of the highlights during the quarter included:

- During this quarter, LAPFF engaged with 62 companies on issues ranging from human rights and Board composition to climate change reporting and environmental risk.

- LAPFF published the first of its kind report into employees on company boards. The new Corporate Governance Code includes a section on board level employee representation, with instructions to have an employee on the board, have a designated non-executive director or a workforce panel. To understand how companies were approaching this element of the new code, LAPFF undertook a survey of the FTSE companies, with a response rate with over 20% of FTSE 100 completing the survey as well as companies across the FTSE all share. The results in the report highlight that the majority of companies were planning to comply with the requirement (rather than explaining why not) and no respondent viewed the inclusion of board level employee representation in code as a negative step.

- In June, LAPFF attended the first annual Workforce Disclosure Initiative (WDI) conference in London. This included a panel on how better workforce disclosure can benefit companies, investors and the workforce. There were also breakout sessions on board-level gender equality and living wages in low-income countries, both specific areas of interest for the WDI. Overall, delegates seemed engaged and positive about the initiative.

- The Forum has written to nine defence contracting companies identified as having significant weapons sales to Saudi Arabia. These companies are: Boeing, General Dynamics, Raytheon, BAE, Lockheed Martin, Textron, Thales, Airbus and General Electric. LAPFF has asked the companies if they have undertaken human rights impact assessments in respect of their contracts with Saudi Arabia given the country's role in the war in Yemen.

- LAPFF has been engaging with General Motors and Ford about their approach to climate change and emissions standards following the proposed weakening of regulations by the US administration. In June, GM and Ford co-signed a letter to the President urging the US

government to negotiate a solution on emissions standards supported by California. LAPFF wrote to both GM and Ford welcoming the move and that while engagement at a federal level has not yet been forthcoming, calling on the companies to continue to work with California to find solutions to reducing greenhouse gases.

- LAPFF issued voting alerts ahead of the Facebook, Twitter and Alphabet general meetings, recommending that members support shareholder proposals that the companies produce reports into the governance and management of inappropriate and illegal user-generated content. The Forum also supported a resolution for the appointment of an employee director at Alphabet (the parent company of Google) following several workforce-related problems.

- Other climate-related voting alerts were issued in relation to the BP, Rio Tinto, Andarko, Chevron and ExxonMobil Annual General Meetings.

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 B. 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 One area has changed since the last quarter's report, at B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14? All members of the Pensions Committee and Board have now completed their TPR Toolkit training, turning this indicator to green.

2.3 The Areas that are not fully completed and/or compliant are listed below.

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.

3 Breaches Reporting - update

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, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 8, updating the Board on all monthly employer contribution breaches over quarter (March to June).

4 Risk Register Update

4.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Board to be considered.

4.2 There have been no changes to the risk register since its annual review at the July meeting of this Board. There is just one risk that remains red, as shown below. This was added in June 2016 as a result of the Brexit vote, and given the continuing uncertainty as to how this will play out, it is felt that the red status is still appropriate.

Risk 24	Consequences	Controls	Risk Score*	
			L	I
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		

*As a reminder, L is Likelihood and I is Impact.

5 **Asset Pooling Update**

Sub Funds

5.1 The Fund will be making its first investment with Border to Coast in the coming months, into the Global Equity Alpha Fund. The next investments are expected to be into the Investment Grade Credit and the Multi Asset Credit funds, where approval was given, subject to appropriate due diligence, at the June Committee meeting.

5.2 The current portfolios managed by Columbia Threadneedle and Schroders will fully transition into the Global Equity Alpha sub-fund. The holdings in the Morgan Stanley Global Brands vehicle will be partially transferred into the Global Equity Alpha sub-fund, to make an overall allocation of approximately 17.5%. The remainder of the Morgan Stanley Global Brands holding will be redeemed to purchase units in the Blackrock short-dated Corporate Bond Fund, ahead of transferring into the Multi Asset Credit sub-fund, which will be available some time in 2020. The Fund and Border to Coast are working very closely with the transitions manager, Blackrock, to ensure an efficient transition from legacy managers to the new managers within the Global Equity sub-fund.

5.3 The development of the Alternatives products have progressed well, with the Private Equity and Infrastructure sleeves open and they have made their first commitments. Work is progressing on the Private Credit sleeve, with commitments expected to be made in the next few months. Discussion is still being had with Funds and advisors on the other alternative requirements. As the Committee are aware, Lincolnshire Pension Fund will not be transitioning across to the Alternatives offering until all sleeves are available, and the Committee is satisfied that Border to Coast are able to offer a fully managed solution, akin to the Morgan Stanley mandate currently held.

5.4 Officers and advisors across the Partner Funds have continued to work closely with Border to Coast on the development of the sub-fund products, with a number of workshops attended and planned to discuss requirements and agree structures.

5.5 The Fund's investment consultant, Paul Potter (Hymans Robertson), will update the Committee in December on the transition path for Lincolnshire's assets, and discuss the options for UK equities and the remaining Global equity mandate.

Joint Committee Meetings

5.5 The Joint Committee (JC) last met on 11 September 2019. The minutes will be circulated once approved, and below are the agenda items for the meeting:

- Annual elections for the Role of Chairman and Vice Chairman of the Joint Committee and annual nomination for the Border to Coast Board
- Joint Committee Budget
- Annual Performance Overview: UK Equity Fund and Overseas Developed Fund
- Chief Executive Officer (CEO) Report
- Alternative Asset update

5.6 The outcome of the elections for the Chairman and Vice Chairman for the Joint Committee was for Cllr Doug McMurdo (Beds) and Cllr Tim Evans (Surrey) to take a second term each. The nomination for the Partner Fund Director (replacing Cllr John Weighall – North Yorks) to be put forward to the Border to Coast Board was Cllr John Holtby (East Riding). Cllr Sue Ellis (South Yorks) announced she would be standing down in her role as Partner Fund Director, therefore there will be another request for nominations, with votes cast by postal vote, in the coming weeks.

5.7 The next JC meeting is being held on 20 November 2019 and papers will be circulated to Board members. Any questions or comments on the papers should be directed to Cllr Strengiel, who can raise them at the meeting.

Shareholder Matters

5.7 As the Committee are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.

5.8 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.

5.9 Border to Coast held its AGM on 18th July, and the votes listed below were submitted:

- Adoption of the Report and Accounts (now published);
- Re-appointment of Auditors;
- Approval of the Conflicts of Interest Policy;
- Confirming the process for approving in-year Directors' conflicts of interest;
- Receiving the Register of Directors;
- Approving the extension of Enid Rowland's contract as Non-Executive Director until 31 July 2022; and
- Approving the appointment of a new Non-Executive Director to the Board following due process.

All resolutions were passed.

5.10 Border to Coast is holding its annual conference in Leeds on 10 and 11 October. There will be ten attendees from the Fund, taking all the allocated places.

6 Investment Consultant Objectives

6.1 In December 2018, the Competition and Markets Authority (CMA) published its report following a review of the investment consulting and fiduciary management markets. The CMA has set out their final Order, including a requirement for pension scheme trustees to set objectives for their investment consultants. We are awaiting further details from the Ministry for Housing, Communities and Local Government (MHCLG) on how the CMA's requirements will be translated into LGPS regulations.

6.2 Whilst we are still unsure of how elements of the CMA requirements will impact LGPS funds, one of their requirements is that trustees should set objectives for their investment consultants prior to appointment, or by 10 December 2019. It is anticipated that this will definitely apply to LGPS Funds.

6.3 Given timescales, the Committee are agreed to delegate authority to the Executive Director of Resources, in consultation with the Chairman and Vice Chairman of the Pensions Committee, to agree a set of objectives for the Fund's Investment Consultant.

7 Conference and Training Attendance

7.1 It is stated in the Fund's Training Policy, approved each July by the Pensions Committee, that following attendance at any conferences, seminars or external training events, members of the Committee will share their thoughts on the event, including whether they recommended it for others to attend. It was agreed at the January meeting of the Board that this would also be a useful addition to future Board meetings.

7.2 The Pension Board members are therefore requested to share information on relevant events attended since the last Board meeting.

Conclusion

8 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

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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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 of ABS's went out unsealed	Potential for individuals data to be seen by unauthorised individuals	WYPF contacted printing company for explanation. Breach reported to information security officers at both WYPF and LPF	Not reported to tPR. Small number 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 sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Update on improvement plan presented to Board to discuss in March	Not reported, but under review.		
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	Jan 19 - Improvement plan completed and reported back to TPR	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 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
December 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
February 19	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 Fines increased
June 19	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
Sept 19	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

Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pensions Board**
Date:	**03 October 2019**
Subject:	**Pensions Administration Report**

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 Committee 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 January 19 to 31 March 19.

KPI's for the period 1.4.19 to 30.6.19						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	87	10	81	85	93.1	2.66
Age 55 Increase to Pension	2	20	2	85	100	13
Change of Address	320	5	313	85	97.81	0.63

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Change of Bank Details	105	5	93	85	88.57	2.29
DWP request for Information	55	10	52	85	94.55	3.98
Death Grant Nomination Form Received	743	20	743	85	100	4.38
Death Grant to Set Up	34	5	31	85	91.18	2.18
Death In Retirement	113	5	110	85	97.35	1.42
Death In Service	5	5	3	85	60	4
Death on Deferred	18	5	16	85	88.89	11.06
Deferred Benefits Into Payment Actual	362	5	347	90	95.86	2.25
Deferred Benefits Into Payment Quote	498	35	490	85	98.39	6.13
Deferred Benefits Set Up on Leaving	836	10	777	85	92.94	7.07
Divorce Quote	56	20	55	85	98.21	2.71
Divorce Settlement Pension Sharing order Implemented	3	80	3	100	100	0
Enquiry	9	5	8	85	88.89	2.11
General Payroll Changes	181	5	174	85	96.13	1.17
Initial Letter Death in Service	5	5	5	85	100	1.4
Initial letter Death in Retirement	113	5	111	85	98.23	3.81
Initial letter Death on Deferred	18	5	17	85	94.44	2.5
Monthly Posting	867	10	799	95	92.16	3.74
NI adjustment to Pension at State Pension Age	4	20	4	85	100	12
Pension Estimate	149	10	86	75	57.72	11.72
Refund Payment	189	10	186	95	98.41	0.9
Refund Quote	287	35	263	85	91.64	10.47
Retirement Actual	137	3	127	90	92.7	1.09
Set Up New Spouse Pension	85	5	78	85	91.76	3.15
Spouse Potential	6	20	5	85	83.33	14
Transfer In Actual	27	35	26	85	96.3	9.37
Transfer In Quote	46	35	45	85	97.83	3.8
Transfer Out Payment	22	35	17	85	77.27	23.73
Transfer Out Quote	118	20	93	85	78.81	19.03

*Reasons for underperforming KPI's:

Death In Service	Delay in information received
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days. Only one repeat offender (Woodlands Academy).
Pension Estimate	Large volume of work received and staff numbers low due to holidays and other areas of work given priority.
Spouse Potential	One case below KPI
Transfer Out Payment	Large volume of work received, so other areas of work given priority, but payments made within guarantee period so no impact on member.
Transfer Out Quote	Large volume of work received, so other areas of work given priority.

2.0 Scheme Information

2.1 Membership numbers as at June19 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,706	28,147	1,007	22,506	2,634
Percentage of Membership	29.49	36.55	0.48	29.23	3.4
Change from Last Quarter	-167	-26	-339	+563	-51

2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	TOTAL
Active	256	1,460	1,505	1,975	2,501	2,738	3,790	3,700	2,945	1,523	238	75	22,706

2.3 **Employer Activity - During April 19 to June19**

New Academies and Education Trusts	2
New Town and Parish Council	0
New Admission Bodies	1
Total of New Employer	**3**
Employers Exited	0
Total Numbers of employers	**287**

WYPF are currently working on 18 organisations becoming employers in LPF

3.0 Member and Employer Contact

3.1 Over the quarter April to June we received **1** online customer response.

Over the quarter April to June **155** Lincolnshire member's sample survey letters were sent out and **34 (22%)** returned:

Overall Customer Satisfaction Score:

April to June 2018	July to September 2018	October to December 2018	January to March 2019	April to June 2019
72.1%	81.6%	81%	81.3%	83.5%

Appendix 1 – Customer survey results.

3.2 Employer Training

Over the quarter April to June three Employer sessions were held in Lincolnshire, Introduction to Pensions, A Complete Guide to Administration and Pensionable Pay.

Customer satisfaction scores were 98.34% 93.97% and 93.42% respectively.

Appendix 2 – Employer feedback summary.

4.0 Internal Disputes Resolution Procedures

4.1 All occupational pension schemes are required to operate an IDRP. 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 a solicitor appointed by Lincolnshire County Council.

Stage 1 appeals against the fund

No appeals currently outstanding.

Stage 1 appeals against scheme employers

One appeal decision in this period. One appeal currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
13/2/2019	Appeal against being refused an ill health pension.	Referred to GLL as scheme employer. No copy of decision letter received – being chased up.	
28/6/2019	Appeal against being refused an ill health pension.	Referred to LCC as scheme employer. Turned down.	27/8/2019
31/7/2019	Appeal against service details.	Referred to LCC as scheme employer.	

Stage 2 appeals

No appeals currently outstanding.

Ombudsman

4.2 One case outstanding

Date application received	Details of complaint	Current position/outcome	Date complete
29/1/2019	Appeal against decision not to grant discretion to pay unreduced pension benefits.	Turned down. Ombudsman is satisfied that LCC decisions made were in accordance with regulations and discretionary policy.	13/8/2019
5/7/2019	Appeal against service used in pension calculation.	Being dealt with by LCC Legal. Information provided to them.	

5.0 Administration Update

5.1 Annual Benefit Statements

99.6% of ABS's have been issued to members by the statutory deadline of 31 August. The other 0.6% have not received an ABS due to existing processes/activity on their records.

5.2 Deferred Benefit Statements

99.9% of Deferred Benefits Statements have been issued to members by 31 August. As expected. This has resulted in a surge of requests for early payment as members can now have benefits paid from age 55.

5.3 Information Security Management System Certification (ISMS).

WYPF is delighted to announce that we have successfully completed our accreditation audit for ISO27001 Information Security Management System Certification (ISMS).

An ISMS (Information Security Management System) is a systematic approach to managing sensitive company information so that it remains secure. It includes people, processes and IT systems by applying a risk management process.

This accreditation is particularly important to us and highlights our continued commitment to information security and provides assurance to our customers that we have the ability to protect their data and reputation at all times.

6.0 Current Technical Issues

See Appendix 3

7.0 Shared service Budget

7.1 Shared Service spend

Projected spend of £6.61m against budget of £7.71m, underspend of £1.1m. Main change from period 2 to 4 is the completion of departmental support recharges to reflect improved coding structure and separation of support services from frontline operations. There is a contingency provision of £0.87m to fund cost of restructure, due to rebalancing of departmental support charges, therefore underspend in this area has increased to £1.10m.

WYPF PENSION ADMIN	2019/20 Estimate	2019/20 Forecast PD02	2019/20 Forecast PD04	2019/20 Variance (Est vs Frcst)
	£	£	£	£
Expenditure				
Accommodation	227,960	176,100	314,460	-86,500
Computer Costs	548,070	580,000	531,430	16,640
Employee Costs	5,277,900	5,277,900	5,642,060	-364,160
Internal Recharges from Bradford Council	203,150	216,500	241,750	-38,600
Printing and Postage	502,810	510,000	648,700	-145,890
Other Running Costs	82,710	82,710	113,650	-30,940
Departmental Support Costs	0	0	-884,290	884,290
Contingency	865,740	0	0	865,740
	7,708,340	**6,843,210**	**6,607,760**	**1,100,580**
Income				
WYPF	-5,645,810	-4,723,400	-4,444,890	-1,200,920
Shared Service Income	-2,012,530	-2,074,810	-2,002,870	-9,660
Other income	-50,000	-45,000	-160,000	110,000
WYPF PENSION ADMIN	**-7,708,340**	**-6,843,210**	**-6,607,760**	**-1,100,580**

7.2 WYPF departmental support cost

DEPARTMENTAL SUPPORT	% RECHARGE	RELEVANT COST		RECHARGE
Communications	30%	484,700		145,410
Development Strategy	40%	215,490		86,200
WYPF Finance	50%	651,460		325,730
WYPF ICT	50%	534,670	*ONLY STAFF + RUNNING COST*	267,340
Service Quality	10%	123,850		12,390
Contact Centre & DIT	10%	472,240		47,220
TOTAL RECHARGE		**2,482,410**		**884,290**

7.3 Projected cost per member

WYPF COST PER MEMBER	FINAL mbr no 2018/19	FINALTot Cost 2018/19	2018/19 FINAL cst pr mbr	BUDGET 2019/20	2019/20 DRAFT cst pr mbr	2019/20 PD04	2019/20 PD04 CST PR MBR
Admin cost per member	418,143	£6,276,057	£15.01	£6,796,870	£16.25	£6,607,760	£15.80
Investment cost per member	291,514	£4,800,316	£16.47	£6,930,240	£23.77	£5,366,500	£18.41
Oversight & Governance	291,514	£782,269	£2.68	£905,410	£3.11	£1,008,740	£3.46
Total cost per member		**£11,858,642**	**£34.16**	**£14,632,520**	**£43.13**	**£12,983,000**	**£37.67**

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	Employer Feedback summary
Appendix 3	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 Pensions Manager.

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 .

Appendix 1

Customer Survey Results - Lincolnshire Members
(1st April to 30th June 2019)

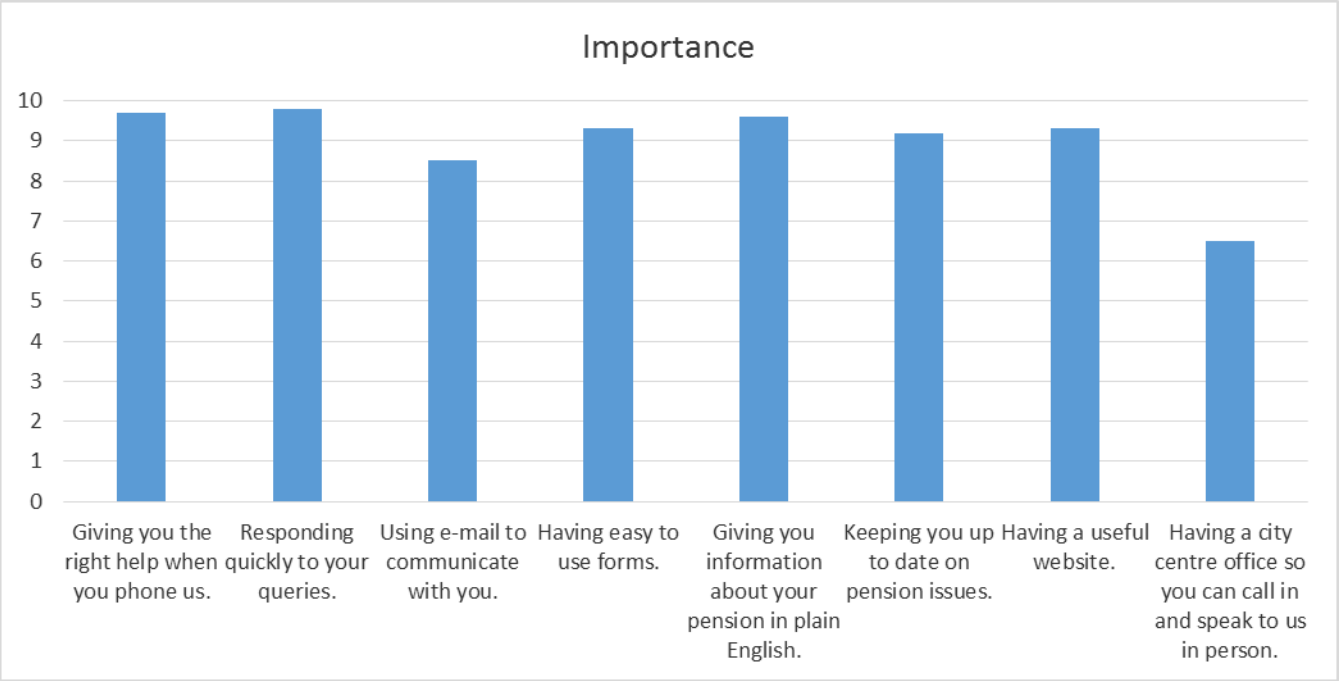
Over the quarter April to June we received **1** online customer response.

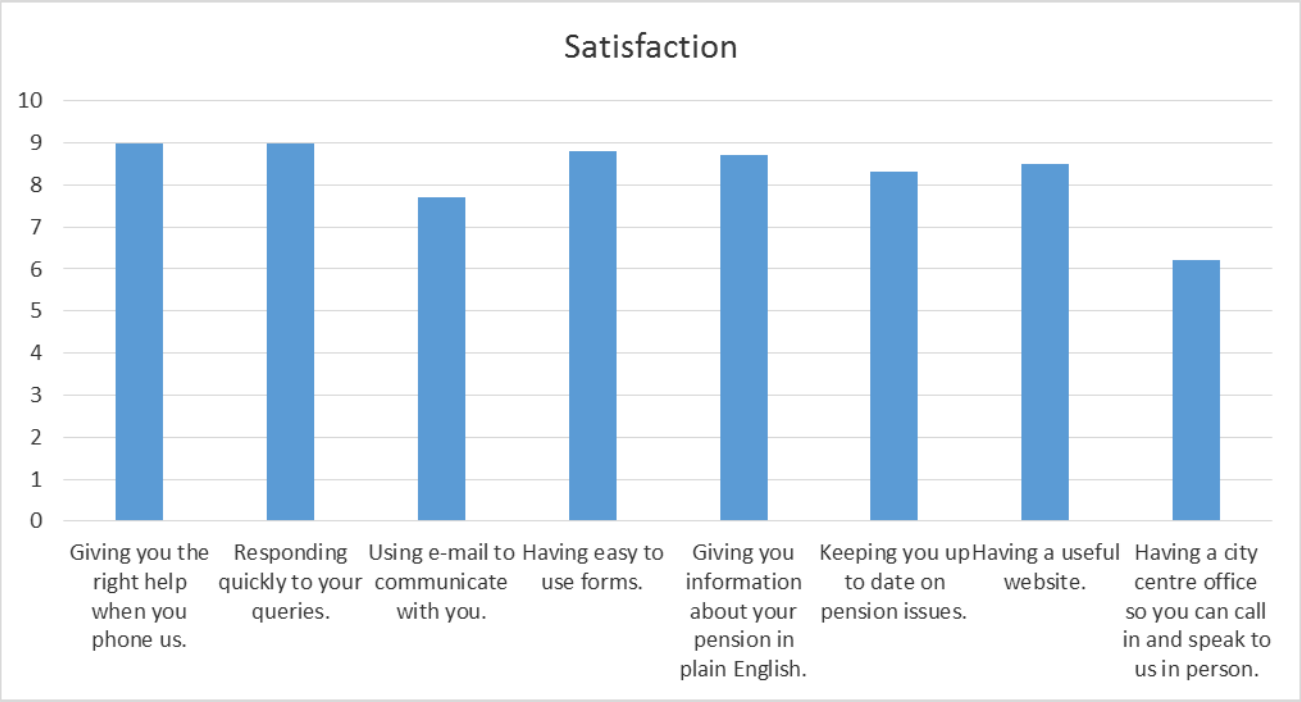
Over the quarter April to June **155** Lincolnshire member's sample survey letters were sent out and **34 (22%)** returned:

Overall Customer Satisfaction Score;

April to June 2018	July to September 2018	October to December 2018	January to March 2019	April to June 2019
72.1%	81.6%	81%	81.3%	83.5%

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





Sample of positive comments:

Member Number	Comments
8051630 Email	Good morning My colleague received a compliment over the telephone last week for a ___ who was very helpful. I'm unable to find a staff member by that, I wonder if you can shed any light at all as we were hoping to get this over to his manager. Many thanks
8025867 Email	Hi ____, Just had a phone call from _____. He wanted to speak to you direct, but you had left for the day. Anyhow, he asked if I would pass on a message of thanks for the assistance you gave him when he rang on May 23rd. He is extremely grateful for your help, says he has received your letter and the list of payments which you enclosed, and he is very confident the information will help him resolve his tax problems. I promised I would pass on his comments. Cheers!
8069587	Excellent efficient speedy service in receiving my pension. I found the pension forecasts received very detailed and informative. Replies to my emails were also very clear and informative. I found the whole process of receiving my pension from WYPF very efficient and stress free.
8124042	Excellent. The staff were very helpful and friendly. I felt at ease asking questions to understand the process. They explained things very clearly and gave good support.
Online	Perfect. God bless you all. You're doing a brilliant job.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
8115095	I was not really happy with the communication, I requested a transfer to another pension, have not been informed if this has happened.	Response sent: Thank you for returning your customer survey form. I note that we received the paperwork on 19/1/19 showing that you wanted to transfer your benefits to Royal London however at that point you had rejoined the pension scheme. The rules of the pension scheme do not permit you to transfer out whilst an active member of this scheme. Your preserved refund post has now been linked to your active post. Please let me know whether you would like me to send you hypothetical transfer details from your new post member number 8126562. Please accept my apologies for not writing to you sooner about this.
8126129	Poor, it is important you respond to inquiries but in my case it has not happened. I would like to know my pension worth as I will be going through a divorce and I have asked for this but have had no reply. Hopefully someone will reply now!	Response sent: Thank you for taking time to complete and return our customer survey. I note that you are waiting for a divorce quote on record 8126129. Unfortunately, I have looked through all your records and could find no request for a transfer quote for divorce purposes. Please complete the details below and return this letter in the pre-paid envelope attached and I will arrange to send details of your CETV as a matter of urgency.

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Appendix 2

Employer Feedback
Quarter 2 April – June 2019

Introduction to pensions – 23 April 2019 (LPF)

Feedback score: 98.34%

Comment	Action taken
No comments	

A summary of the compliments

- This was a very useful course/session for someone new to pensions. Possibly, it would be worth extending to include some practical cases.
- Very informative and useful

Complete Guide – 13 May 2019

Feedback score: 93.97%

Comment	Action taken
None made	

A summary of the compliments

- Very informative
- Very informative course. Kaele and Stuart were able to answer any questions that were asked.

Introduction to pensions – 27 June 2019 (LPF)

Feedback score: 93.42%

Comment	Action taken
No comments	

A summary of the compliments

- None provided

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Appendix 3

Current Issues

1 SAB publishes Good Governance Report

SAB published the Good Governance Report on 31 July 2019. The project team are working on a detailed plan to implement the report's recommendations which will be presented to the SAB when they meet in November 2019.

2. TPR Scheme Return – Conditional data

On 4 July 2019 Bob Holloway, secretary of the SAB, emailed pension managers and software suppliers with a draft conditional data report to be scored in the Pension Regulator's (tPR) annual scheme return. This was prepared in agreement with representatives from tPR, SAB, software suppliers, fund actuaries and pension practitioners. The group will continue to work on developing the table, adding guidance notes for administering authorities and software suppliers.

The SAB will provide an update when they have more information from tPR about when the scheme return will be issued.

3. National LGPS Technical Group recommendations to the SAB

As reported previously, the National LGPS Technical Group made recommendations to the SAB to:

- amend the forfeiture rules to include convictions which relate to an employment, and the conviction takes place after leaving that employment
- remove the requirement to pay a refund of contributions within five years and
- align the rules covering concurrent membership.

The SAB have agreed to proceed with these changes and are in the process of making recommendations to MHCLG.

4. New Minister for Local Government appointed

On 31 July 2019 it was announced that Luke Hall MP has been appointed Parliamentary Under Secretary of State, Minister for Local Government and Homelessness.

5. McCloud judgment – leave to appeal denied

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case.

The case concerns the transitional protections provided to older members of the judges and fire-fighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision.

5. Pensions dashboards

The DWP consultation closed on 28 January 2019. The government published its response to the consultation on 4 April 2019.

Key details of the government's plans on the introduction of pension dashboards include:

- Legislation to compel pension providers to make consumers' data available on the dashboard
- Staged on-boarding of schemes with the majority of schemes participating within 3 to 4 years
- The inclusion of state pension data
- A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (previously the Single Financial Guidance Body)

The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP). 8

On 3 June 2019, the Pensions Policy Institute (PPI) announced that its Director, Chris Curry, is to take on the role as Principal of the pensions dashboard industry delivery group with MAPS, starting on 8 July 20

6. Fair Deal consultation

The Government's consultation on Fair Deal provisions in the LGPS closed on 4 April. Proposals include the introduction of a definition of 'Fair Deal employers' and 'protected transferees' who will retain the right to participate in the LGPS for as long as they are wholly or mainly employed on the outsourced service. Outsourcing employers would also be permitted to be a 'deemed employer' instead of contractors being required to have an admission agreement. As expected, the broadly comparable route will no longer be available. The consultation also includes proposals for the automatic transfer of LGPS assets and liabilities following a merger or takeover involving scheme employers

7 Consultation on restricting exit payments

The consultation on restricting exit payments in the public sector closed on 3 July 2019.

LGA's response to the consultation considers the draft regulations, guidance and Directions in two sections:

Section 1: looks at concerns about the implementation of the policy including potential legal issues, excessive bureaucracy, increased costs, the range of individuals who may be affected by the cap and the possible frustration of effective negotiations related to workforce reform and other sensitive exits.

Section 2: considers the technical issues that need to be addressed before the policy could be implemented, with a particular focus on the LGPS.

Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities.

8. Consultation: Local valuation cycle and the management of employer risk

On 8 May 2019 MHCLG issued a 12 week policy consultation called 'LGPS: Changes to the local valuation cycle and the management of employer risk'.

The consultation closed on 31 July 2019 and covers the following areas:

- amendments to the local fund valuations from the current 3 year (triennial) to a 4-year (quadrennial) cycle
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- proposals for flexibility on exit payments
- proposals for further policy changes to exit credits
- proposals for changes to the employers required to offer local government pension scheme membership

Regarding the change to exit credit payments, given that the consultation proposes backdating the change, LGA are of the view that it would be legitimate to delay payment of an exit credit (where a side agreement was in place) pending the consultation outcome.

9. Scheme Advisory Board (SAB) 2018 annual report

The 2018 annual report has recently been published by the Scheme Advisory Board.

The aim of the annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. It aggregates information supplied in the 89 fund annual reports, as at 31 March 2018.

Key highlights:

- The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017.

- The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%)

- The local authority return on investment over 2017/2018 was 4.4%. This was reflective of the market conditions during the year and set against the UK Return of 0.2%

- The Scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income

- Over 1.7m pensioners were paid over the year.

The full report can be viewed on the Scheme Advisory Board website.

Lincolnshire COUNTY COUNCIL
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Regulatory and Other Committee

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

Report to:	**Lincolnshire Pensions Board**
Date:	**03 October 2019**
Subject:	**Temporary Bank Accounts**

Summary:

This report updates the Board on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries of the scheme.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

Recommendation(s):

That the Board note the report.

1.0 Background

1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who appear to be entitled to a pension scheme benefit but for whom we have lost contact with.

1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5 year period. As a result temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.

1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

1.4 The Pensions Board have asked for the number of temporary accounts held and the amount of money held in these accounts.

2.0 Lost Contact Pensioners/Deferreds

2.1 The number of temporary deposit accounts held for this category of members is has increased to 64 from 56 which was reported at the last Pensions Board.

Total number: 64

Current amount held in accounts: £88, 281.87

2.2 A full breakdown of the number of accounts opened and closed is shown at Appendix 1.

3.0 Post 2014 Preserved Refunds

3.1 The number of temporary deposit accounts held for this category of members is:

Total number: 38

Current amount held in accounts: £2,611.17

3.2 This is an increase from 7 reported at the last Pensions Board, as expected as more and more members come up to their five year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.

4.0 Tracing

At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the national Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.

5.0 Conclusion

5.1 Payments into a temporary bank account are made when all tracing options are exhausted and means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

5.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

Appendices

These are listed below and attached at the back of the report	
Appendix 1	Lincolnshire LGPS Deposit Accounts – Summary

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 Pensions Manager.

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 .

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Lincolnshire LGPS Deposit Accounts - Summary

STG1 - SC5

Currently Opened

No. of Deposit with Credit Balances	64
Total Credits	88281.87

Opened Accounts

2019/20	11
2018/19	34
2017/18	66
2016/17	11
2015/16	4

Closed Accounts

2019/20	10
2018/19	22
2017/18	27
2016/17	3
2015/16	0

STG2 - Post 14 Refunds

Currently Opened

No. of Deposit with Credit Balances	38
Total Credits	2611.17

Opened Accounts

2019/20	40

Closed Accounts

2019/20	2

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pensions Board**
Date:	**03 October 2019**
Subject:	**Data Scores**

Summary:

This report updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator as required under this year's TPR returns.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

Recommendation(s):

That the Board note the report and the Data Improvement Plan.

1.0 Background

1.1 Pension schemes are required by the TPR to report their common and scheme specific data scores in the annual scheme returns.

1.2 The current Data Scores for LPF are:

Common	96.12%
Scheme Specific	85.69%

1.3 This is an improvement on the scores measured in June which were:

Common	96.00%
Scheme Specific	81.53%

2.0 Data Issues

2.1 Missing Addresses

There are 2,725 address's missing for deferred members. This is an decrease from 2,818 previously reported.

WYPF have a rolling programme of tracing lost contact members on a rolling programme.

2.2 Missing Earnings

There are 771 records with missing earnings. This is a reduction from 1,099 previously reported. The majority of cases are awaiting leaver/pensioner benefits to be calculated.

2.3 Missing CARE Benefits

There are 1,120 records with missing Career Average Revalued Earnings (CARE). This is a reduction from 1,583 previously reported These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

2.4 Missing CARE Rates

There are 823 cases where the revaluation rate is missing from the member's record. This is a reduction from 1,150 previously reported. These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

2.5 Beneficiary Link to Pensioner Missing

There are 1,211 records where the beneficiary does not have their record linked to the original pensioner/member. This is a reduction from 1,230 previously reported WYPF will investigate these cases to see if a link can be found.

2.6 Beneficiary Type Missing

There are 1,212 records where the beneficiary does not have their record linked to the original pensioner/member. This is a reduction from 1,230 previously reported. WYPF will investigate these cases to see if a link can be found.

3.0 Data Improvement Plan

3.1 As a result of the data scores WYPF has devised a Data Improvement Plan (Appendix 1) which identifies the issues with the data and the resolutions required to resolve those issues.

3.2 The reports to measure the data scores will be run at least on a quarterly basis to measure the improvements in data scores and identify any new issues.

3.3 It should be noted that TPR do not expect scores to be 100%, as long as there is a Data Improvement Plan to address the data issues. For example, as we trace members, others are identified as lost contact through returned mail. WYPF also takes every opportunity to remind members to tell us when they move house.

3.4 It should be noted that in July a revised draft conditional data report was issued to Funds by the Scheme Advisory Board and TPR. This effectively, will standardise the checks required of all Funds for conditional data and therefore will impact on future data scores.

4.0 Conclusion

4.1 Data quality is important to the Fund as, as well as being a requirement of the Pensions Regulator. It may affect the employer contributions at the next valuation and can impact on the reputation of the Fund.

4.2 The Fund continually reviews the quality of data held throughout the year and strives to keep this as complete, accurate and up to date as possible. The Pensions Regulator requires Funds to undertake a review of data quality at least annually and this report consolidates the work undertaken in compliance with this requirement.

4.3 This report concludes that, whilst data quality is considered to be good within the Fund, there are improvements that can be made and as a result a data improvement plan has been developed.

Appendices

These are listed below and attached at the back of the report	
Appendix 1	Data Improvement Plan

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 Pensions Manager.

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 .

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APPENDIX 1

Lincolnshire Pension Fund

Data Improvement Plan

1. Introduction

1.1 This document defines the data improvement plan for Lincolnshire Pension Fund which is administered by West Yorkshire Pension Fund (WYPF) under a shared service arrangement.

1.2 WYPF collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS).

1.3 Fundamentally, the purpose of the Fund is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the highest possible data quality standards are maintained, to comply with this core function and to ensure the cost effective use of resources.

1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of the Pension Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times.

1.5 The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

1.6 The Pension Regulators guidance requires that schemes should:

- Continually review their data and carry out a data review exercise at least annually
- Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

2. The Pension Regulator Annual Scheme Return

2.1 Annually the Pensions Regulator (tPR) issues a scheme return which should be completed and returned. From 2018 each Pension Fund is required to include in the return a Data Quality Score which has two types of data:

- **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.

- **Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers etc.

2.2 tPR has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

3. Key Objectives

The key objectives of this plan are to:

- Ensure member, pensioner, deferred and beneficiary records are maintained as accurately as possible to ensure benefits are paid correctly on time, members receive a high standard of service and the fund is able to meet legal obligations.
- Ensure Investment and Administration costs are reliable/correct.
- Ensure data supplied to the Fund's actuary for the valuation is as accurate as possible so the correct liabilities can be calculated.
- Ensure the Fund complies with tPR's Code of Practice.

4. Outcomes

Outcomes of an improvement in the data held by the Fund are:

- Improvement of tPR data score for Common and Scheme Specific (also known as conditional) data.
- Increase in the number of Annual Benefit Statements (ABS) issued by 31 August each year./members aware of the value of their benefits.
- Reduction in the number of Internal Dispute Resolutions (IDRPs) received for incorrect calculation of benefits or delays in paying benefits.
- Reduction in the number of queries from the Fund's Actuary at valuation time.
- Reduction in the number of queries received when ABS are sent out.
- Reduction in administration costs due to increased efficiency.
- Reduces the likelihood of the Government Actuary Department rejecting data for the scheme valuation.
- Improves accuracy for IAS19 valuations.
- Reduction in delays for calculating and paying retirement benefits, death benefits, transfers out.
- Reduction in the queries between WYPF and Employers
- Reduction of breaches recorded on the Breaches Register (e.g. due to ABS being issued late).

5. Additional general responsibilities relating to Data Improvement as follows:

5.1 Fund Officers

- Fund officers continually review and ensure data collected is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes have working instructions in place to assist with staff training, understanding and compliance.

- Team Managers are responsible for ensuring that staff have the appropriate level of UPM access to fulfil their duties and access is withdrawn upon the member of staff leaving WYPF. This minimises the risk of accidental loss, errors and unauthorised activity.

5.2 Scheme Employers

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by scheme employers and any third party agencies that they may utilise e.g. outsourced payroll providers.

- The Fund will work with scheme employers throughout the year to support the provision of data to the required standard.

- Details of the information employers are required to provide and the financial penalties should they fail to do so are detailed in the Fund's Pensions Administration Strategy.

6 Ongoing Data Cleansing

6.1 Monthly Returns data quality checks

WYPF embraced monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

6.2 LGPS National Insurance Database

Administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for Local Government Pension Scheme (LGPS) administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds. (Please note not all LGPS administrators are part of this database).

6.3 'Tell Us Once' Service

The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

6.4 National Fraud Initiative

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. WYPF submit data to National Fraud Initiative on a regular basis to identify deceased members and members who are no longer entitled to receive a pension.

6.5 Mortality screening and tracing service

WYPF engage with a Tracing Bureau for both monthly mortality screening and for members we don't have a current address for. For deferred members, where a current address for a lost contact cannot be found by the Tracing Bureau, a more detailed check is carried out 3 months before payment of pension is due.

6.6 Annual Benefits Statement (ABS) checks

Before producing an ABS each year certain checks are applied to active records to ensure accurate data is used in the production of the ABS. These checks include:

- Ensuring contributions are received for every month during the year,
- Checks to make sure there are no spikes in care pensionable pay,
- Checks to ensure the final pay has not increased by 20% or decreased by 10%,
- Checks to ensure there aren't any outstanding processes,
- Address check to compare the address held on the record and that supplied on the monthly return,
- Identifying casual workers.

If these checks identify further information is required from an employer the ABS production for this case will be blocked and a query will be referred back to the employer. Upon receipt of the appropriate information the record will be updated and the ABS will be released for production.

6.7 Deferred pensions increase

As part of the annual deferred pensions increase process certain data errors are identified and pensions increase is blocked until they are resolved. These errors include:

- Incorrect elements present,
- Spouse elements that don't match member elements,
- Incorrect dates for the first entry after the member is deferred,
- Data errors are corrected to allow deferred pensions increase to run on to individual deferred folders.

6.8 Annual deferred benefit statements

Before producing the annual deferred benefit statements data errors that would result in potentially incorrect statements being produced are identified. These include:

- Deferred pensions increase not updated
- Multiple 'normal payment' dates being held on the deferred folder
- Multiple entries for the same date shown on the pension history screen
- Initial entries on the pension history missing
- Service start date mismatches

Once these errors are resolved and the records is updated the deferred ABS will be released for production.

7 Data errors

When tackling data errors the following considerations will be used when making the decision on the priority of errors to be resolved:

-
- Priority identified on the error report
- Data improvement plans objectives

8. Frequency

Data Quality reports will be run on a quarterly basis to measure the data quality scores and identify any further action that may be required.

9 Appendices

- Appendix A details the Data Quality scores and errors
- Appendix B details to work planned to deal with the data errors identified.

Appendix A – Lincolnshire Pension Fund - results at November 2018

	Nov 18	Feb 19	June 19	Sept 19
TPR Score – Common	95.58	96.01	96.00	96.12
TPR Score – Conditional	94.47	95.78	81.53	85.69

Breakdown of activities for improvement

	Nov 18	Feb 19	June 19	Sept 19
Count of Missing, Bad or Temp NI Number	81	78	84	84
Count of Bad Date of Birth	2	2	1	1
Count of Address Missing	3,131	2,839	2,818	2,725
Count of Postcode Missing	27	27	27	27
Count of No Date Joined Scheme	62	63	8	13
Count of No Folder Status History	9	10	9	9
Count of Folder Status/ Status History Mismatch	89	65	69	57
Count of Multi Folder Status History Entries on Same Day	60	53	60	72
Count of Missing or Bad Expected Retirement Date	3	3	7	5
Count of No Folder Scheme History	55	57	56	64
Count of Missing Date Joined Employer	3	3	2	1
Count of Missing Earnings	4,063	2,105	1,099	771
Count of Invalid Transfer In Present			6	7
Count of Invalid Part Time Service Present	66	67	66	64
Count of Missing CARE Benefit	5,099	3,090	1,583	1,120
Count of Missing CARE Revaluation Rate	4,038	2,229	1,150	823
Count of Invalid PSO or Sharing Order	48	48	48	48
Count of Invalid Contracted Out Date	19	19	19	20
Count of Missing Initial Pension (Def)	33	43	48	60
Count of Missing Initial Care Pension (Def	96	139	169	217
Count of Missing CARE Initial Pension	16	21	20	23
Count of Beneficiary Link to Pensioner Missing	1,274	1,247	1,230	1,211
Count of Beneficiary Type Missing	1,274	1,247	1,230	1,212
Count of start date inconsistency		6,528	5,519	5,370

Appendix B

Data Category	Category	Issue	Priority	Resolution required	Responsibility	Progress	Deadline
Ni Number	Common	81 cases:	Low				
		6 actives		Obtain correct NI number from employer	Comms		Nov 19
		8 beneficiary pensioners		Report to be expanded to identify if beneficiary lives overseas who my not a national Insurance number	IT		Nov 19
		10 deferred		Write to member to obtain NI number	Comms		Nov 21
		3 leaver options decision		Once leaver forms received write to member to obtain NI	Service Centre		Nov 21
		1 pensioner		Interrogate record	SC5		Nov 21
		53 preserved refunds		Interrogate record	Service Centre		Nov 21
Date of Birth	Common	2 cases	Medium				
		1 Active		Obtain DOB from employer	Comms		Nov 20
		1 beneficiary pensioner		Interrogate record	SC5		Nov 20
Address and postcode	Common	3131 cases	Medium				
		169 actives (address missing)		Contact employer for address	Comms		Nov 20
		4 beneficiary Pensioner (address missing)		Interrogate record or use tracing service	SC5		Nov 20
		2051 deferred (address missing		Accurate Data services engaged to carry out address tracing for deferred and preserved refunds members.	Service Centre		Rolling program
		3 deferred ex spouse		Accurate Data services engaged	Service Centre		Rolling

		(address missing)		to carry out address tracing for deferred and preserved refunds members.			Program
		35 leaver option decision (address missing)		Accurate Data services engaged to carry out address tracing for deferred and preserved refunds members.	Service Centre		Rolling program
		33 pensioner (address missing)		Interrogate record	SC5		Nov 20
		836 preserved refunds (address missing)		Accurate Data Service engaged to carry out address tracing for deferred and preserved refunds members.	Service Centre		Rolling Program
		27 preserved refunds (post code missing)		IT to look up missing postcodes from address database	IT		Nov 20
No date joined scheme	Commo m	62 cases:-	Medium		IT		
		2 actives		interrogate records and/or obtain information from employer	Service Centre		Nov 20
		9 deferred ex spouse		Interrogate record	Service Centre		Nov 20
		1 full commutation		Interrogate record	Sc5		Nov 20
		24 pensioners		Interrogate record	SC5		Nov 20
		4 pensioner ex spouse		Interrogate record	SC5		Nov 20
		6 preserved refunds		Interrogate record	Service Centre		Nov 20
		9 deferred		Interrogate record	Service Centre		Nov 20

No folder Status history	Common	9 cases;-	High				
		4 actives		Interrogate record	Service Centre		Nov 19
		5 preserved refunds		Interrogate record	Service Centre		Nov 19
Folder Status/ Status History mismatch	Common	89 cases:-	Medium				
		11 active		Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 20
		1 beneficiary pensioner		Interrogate record	SC5		Nov 20
		2 deferred		Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 20
		68 leaver options decision		Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 20
		2 preserved refund		Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 20
		5 serious ill health		Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 20
Multi folderStathist entries on Same day	Common	60 cases:-	Low				
		2 actives		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
		4 deferred		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
		13 leaver options decision		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
		39 pensioners		Need to look at each case as it	Sc5		Nov 21

				appears they might have moved onto 2 status on the same day			
		2 preserved refunds		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
Missing or bad expected retirement date	Common	3 active cases	Low	Bulk Update	IT		Nov 21
No folder scheme history	Common	55 cases: -	Medium				
		9 active case		Interrogate records	Service Centre		Nov 20
		9 deferred		Interrogate records	Service Centre		Nov 20
		9 deferred ex spouse		Interrogate records	Service Centre		Nov 20
		24 pensioners		Interrogate records	SC5		Nov 20
		4 pensioner ex spouse		Interrogate records	SC5		Nov 20
Missing Date joined employer	Scheme Specific	3 active cases	Low	Interrogate records possible intrafunds	Service Centre		Nov 21
Missing earnings	Scheme specific	4063 active cases	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Invalid part time service present	Scheme specific	66 cases:- 10 actives 28 deferred 28 pensioners	Low	Interrogate record– PT indicator but no PT hours recorded	Service Centre		Nov 21
Missing	Scheme	5099 active cases	High	Either outstanding leaver form to	Service Centre	Ongoing	Deal with in

CARE benefit	specific			be received – To be chased up monthly by Comms or outstanding work in service centre.	Comms		accordance with KPI targets
Missing CARE revaluation rates	Scheme specific	4038 active cases	High	Either outstanding leaver form to be received – To be chased up monthly by Comms or outstanding work in service centre	Service Centre Comms	Ongoing	Deal with in accordance with KPI targets
Invalid PSO or Sharing Order	Scheme specific	48 cases:-	Low				
		14 actives		IT to alter the report so it does not pick up ex spouse surname	IT		Nov 21
		11 deferred		IT to alter the report so it does not pick up ex spouse surname	IT		Nov 21
		23 pensioners		IT to alter the report so it does not pick up ex spouse surname	IT		Nov 21
Invalid contracted Out date	Scheme specific	19 cases:-	Low				
		1 deferred		Interrogate record	Service Centre		Nov 21
		18 pensioners		Interrogate record	SC5		Nov 21
Missing initial pension (DEF)	Scheme specific	33 deferred cases	Low	Possible bare EPB cases. To interrogate and sample records	IT		Nov 19
Missing Initial CARE Pension(DEF)	Scheme specific	96 deferred cases	Low	Interrogate record Spot check a number of cases as it might be where member joined right at the end of the year and no care benefits	Service Centre	Ongoing	Nov 21
Missing CARE initial Pension	Scheme specific	16 pensioner cases	Low	Email sent to IT asking for the report to be expanded as the majority of cases appear to be correct	IT		Nov 19

Beneficiary link to Pensioners missing	Scheme specific	1274 beneficiary pensioner cases	N/A	Speak to MSM - Pensioner Services	SC5		Nov 21
Beneficiary type missing	Scheme specific	1274 beneficiary pensioner cases	Low	Speak to MSM - Pensioner Services	SC5		Nov 21

This improvement plan primarily aims to address the key issues identified from the Funds Data Quality review and data quality score and details the plans in place to improve the data we hold.

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pensions Board**
Date:	**03 October 2019**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Committee with up to date information on Employer Monthly Submissions for the first quarter of the financial year 2019/20 (March to June).

Recommendation(s):

The Committee note the report and consider if there are any further actions they wish to take against employers submitting late or inaccurate payments or data.

Background

1 There are just under 270 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over any contributions due to the Fund by the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.

2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers. Within the Pensions Team, the Finance Technician post is responsible for employer contributions monitoring. Additional checks are also undertaken by the West Yorkshire Finance Team on the detail within the data submissions, and the pensions system itself identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).

3 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, the Lincolnshire Pension Fund Finance Technician is in regular contact with employers and their payroll providers to prompt payments/data submissions and clarify any queries. Much work has been put into building a good relationship with the employers and payroll providers, to assist in understanding the process and the data required.

4 A summary of all late contributions or data submissions since April 2019 is set out in table one below.

Table One: Late contributions and data submissions to June 2019

Month	Payment of Contributions		Submission of Data	
April	6	2.3%	14	5.3%
May	3	1.1%	10	3.8%
June	3	1.1%	22	8.3%
Total for 2019/20	**12**		**46**	

5 The analysis shows the number of employers making late contributions is a relatively small percentage of the overall number of employers. A higher number of employers submit their data returns late, or have made an incorrect submission by the deadline date (i.e. their data contains errors, or does not agree to the contributions paid across). A number of reasons have been identified for late returns. These include:

- Change of payroll providers at a number of employers; and
- Changes in staffing at two of the larger payroll providers. This lead to a number of payrolls being submitted late or incorrectly in June. These payroll providers have been visited by a Pension Fund Representative from West Yorkshire Pension Fund to provide training and support to complete the monthly data return. Quarter two should show improvements from these employers.

6 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.

7 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two below sets out the number of fines issued since April 2019. Details of the individual employers fined in quarter one can be found at **Appendix A**.

Table Two: Late contributions fines April to June 2019

April	May	June
2	2	5

Conclusion

8 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions Committee understand if there are any issues arising from late payments or data and any

further actions which are required to address employers not meeting their statutory responsibilities.

9 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.

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	Late Contribution Fines April to June 2019

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.

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Appendix A

Late contributions fines April to June 2019

April 2019

Employer	Late Submissions
Apsens	Late Payment: November 2018 and April 2019 Late Data and Payment: December 2018
The Thomas Cowley High School	Late Data: November 2018 and December 2018 Late Payment: April 2019

May 2019

Employer	Late Submissions
Apsens	Late Payment: November 2018, April 2019 and May 2019 Late Data and Payment: December 2018
Lincolnshire Housing Partnership	Late Data: November 2018 and December 2018 Late Payment: March 2019 and May 2019

June 2019

Employer	Late Submissions
Apsens	Late Payment: November 2018, April 2019, May 2019 and June 2019 Late Data and Payment: December 2018
Crowland Parish Council	Late Data: June 2019 Late Data and Payment: March 2019 and April 2019
Lincolnshire Housing Partnership	Late Data: November 2018 and December 2018 Late Payment: March 2019, May 2019 and June 2019
Gosberton House Academy	Late Data: December 2018, May 2019 and June 2019
Stamford St Augustine's Catholic Voluntary Academy	Late Data: January 2019, February 2019 and June 2019

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director – Resources	
Report to:	**Lincolnshire Pensions Board**
Date:	**03 October 2019**
Subject:	**Pension Fund External Audit Report**

Summary:

This report summarises the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report. Their findings were initially reported to the Council's Audit Committee in their Audit Completion Report in July 2019 and is summarised here for the Pensions Committee.

Recommendation(s):

That the Committee note this covering report and the Audit Completion Report prepared by the Council's External Auditors, Mazars.

Background

1. The Pension Fund Annual Report and Accounts for the year ended 31 March 2019 have been completed and were approved by this Committee at its meeting on 18 July. These have now been independently audited by the Council's external auditors, Mazars. A copy of the Audit Completion Report is attached to this report at Appendix A. This details the findings from their work on the Pension Fund Annual Accounts.

2. The Audit Completion Report is broken down into four sections and includes four appendices. The key points to note from the external auditors work on the Pension Fund Accounts are:

Financial Statements Audit:

3. As part of their work, the External Auditor considers any significant risks that exist and key areas of management judgement. Two significant risks were considered:

   - Management override of controls; and
   - Valuation of unquoted investment for which a market price is not readily available.

4. Mazars did not identify any issues to bring to members attention from their work in this area.

5. They also reviewed key areas of managed judgement (including accounting estimates). No risks were identified which might give rise to material mis-statements.

Internal Control Recommendations:

6. Mazars have considered the internal controls in place relevant to the presentation of the financial statements. No significant control deficiencies where identified in the course of their work.

Summary of Misstatements:

7. Mazars identified one unadjusted misstatement, just above their trivial threshold of £0.7m within the 2018/19 financial statements. This was linked to the valuation of private equity and infrastructure assets at year end, where the valuation data available for preparation of the accounts was superseded with more up to date information when Mazars were completing their audit work.

8. The final version of Financial Statements included an updated accounting policy, setting out the funds accounting practice around valuation information available at year end. This change to our accounting policies should address any timing movements in valuations between accounts preparation and audit. We would not expect such movements to be reported by the external auditor in future accounting periods.

Appendices to the Audit Completion Report:

9. The appendices to the audit completion report include:

- Appendix A – Draft Management Representation Letter, signed by the Executive Director of Resources;
- Appendix B – Draft Auditor's Report – included within the final version of the Financial Statements;
- Appendix C – Draft Consistency Report – published within the Pension Fund Annual Report; and
- Appendix D – Auditor Independence.

Audit Completion:

10. An unqualified audit opinion was issued on the Pension Fund accounts as part of the Lincolnshire County Council Statement of Accounts by the end of July 2019. The consistency opinion on the Annual Report was issued by 29 August. A copy of the Annual Report has been published on the Pension Fund website and all Fund employers have been notified. In addition, the link

has been shared with all County Councillors, trade unions who represent contributing members of the Fund and on request to any other individuals or organisations. A summary of the annual report will be sent to all scheme members in the Autumn newsletters sent by WYPF, as the Fund's scheme administrator.

Conclusion

11. The audit of the Pension Fund Annual Report and Accounts for the year ended 31 March 2019 has been completed. The external auditor, Mazars, issued an unqualified audit opinion. Copies of the Pension Fund Annual Report and Accounts have been distributed to interested parties.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	External Audit, Audit Completion Report for Lincolnshire Pension Fund 2018/19

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 .

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Audit Completion Report - Draft

Lincolnshire Pension Fund

Year ending 31 March 2019

MAZARS

CONTENTS

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Audit Committee
Lincolnshire County Council
County Offices
Newland, Lincoln
LN1 1YL

22 July 2019

Dear Members

Audit Completion Report – Lincolnshire Pension Fund - Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the Executive Director for Resources and his team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07387 242 052.

Yours faithfully

Lucy Nutley
Mazars LLP

Mazars LLP – Park View House, 58 The Ropewalk, Nottingham, NG1 5DW
Tel: 0115 964 4744 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Lincolnshire Pension Fund for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 22 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement..

Sections 2 of this report outlines the detailed findings from our work on the financial statements. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing, subject to completing the remaining audit procedures, an unqualified opinion, without modification, on the amended financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B

Consistency Report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of the Council. Our draft consistency report is provided in Appendix C.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Pension Fund and to consider any objection made to the accounts.

Internal control recommendations

Based on the audit work completed to date there are no identified significant control deficiencies

Misstatements

There is one unadjusted misstatement that we are required to report, at page 9, to the Audit Committee.

1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Consistency opinion	We will complete our assessment of the final approved pension fund annual report when it has been approved by the Pension Committee at its 18 July 2019 meeting.
Closure procedures and review	We will complete our standard closure procedures, including clearing any remaining audit or quality control queries, our final review of the financial statements and consideration of post balance sheet events.

We will provide the Audit Committee with an update in relation to these outstanding matters at its 22 July 2019 meeting.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set overall materiality at the planning stage of the audit at £23.6m using a benchmark of 1% of net assets available to pay benefits. Our final assessment of overall materiality, based on the final financial statements is still £23.6m using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee) at £0.7m based on 3% of overall materiality.

.

2. FINANCIAL STATEMEMENTS AUDIT

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk by performing audit work in the following areas: • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements, to ensure no indication of bias.
	Audit conclusion Based on work completed to date, our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention.

2. FINANCIAL STATEMEMENTS AUDIT (CONTINUED)

Significant risk	Description of the risk
Valuation of unquoted investments for which a market price is not readily available	As at 31 March 2018 the fair value of investments which were not quoted on an active market was £297m (£313m as at 31 March 2019), which accounted for 13.7% (13.4% as at 31 March 2019) of the Fund's net investment assets. All of these investment assets are managed and valued, along with all other investment assets by the Fund Managers in place. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement on the part of the Fund Managers or assumptions to be made when valuing them at year end. As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.

How we addressed this risk

Our work in this area has included:

- agreeing the valuations to supporting documentation including the latest investment Fund Manager valuation statements;
- reviewing the independent control assurance reports on the relevant Fund Managers to confirm that they do not highlight any risks of material misstatement relating to their procedures for valuation of these and other investment assets.
- reviewing the valuation statements to confirm that the basis of valuation was consistent with the Fund's accounting policies and they had been correctly disclosed in the financial statements.

Audit conclusion

Our work to date has not highlighted any material issues to bring to your attention.

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.

2. FINANCIAL STATEMEMENTS AUDIT (CONTINUED)

Opening Balances

We have performed relevant audit procedures on the Council's opening balances. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

Qualitative aspects of the entity's accounting practices

We have reviewed the Pension Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances.

The draft Financial Statements were published on 31 May 2019 and were of good quality. We were provided with a complete set of working papers at the start of the audit and these were of good quality too. Officers responded promptly to any audit queries or requests for additional working papers.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections that relate to the financial statements of the Lincolnshire Pension Fund.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

At this stage, based the audit work carried out, we have not identified any significant control deficiencies that we are required to report to you. Our assessment of the Council's IT general controls is still in progress though and we are awaiting information requested from Serco before we can finalise the audit work. We will update the Audit Committee at its 22 July 2019 meeting if there are any matters arising from that work that we are required to report.

4. SUMMARY OF MISSTATEMENTS

Based on the audit work to date there is one unadjusted identified misstatements for 2018/19 which is just above our trivial threshold for reporting to the Audit Committee. No material misstatements have been identified and no material amendments have been made to the draft financial statements. We will update the Audit Committee at its 22 July 2019 meeting if there are any further reportable misstatements arising from the remaining audit work.

Unadjusted misstatement

		Pension Fund Account		Net Assets Statement	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Investment Assets			710	
	Cr: Net Returns on Investments		710		

During our detailed tested we identified a net £710k difference between the Investment Asset balances recorded in the financial statements and the latest valuation reports. The differences were due to differences between the valuation reports available to officers when the draft financial statements prepared and the latest valuation reports being based on up to date information. These differences, attributable to the timing of the availability of information are not unusual and the difference is not to be amended by Management. Management is to review its accounting practice in relation to these cash flow changes and expects to change the accounting polices in 2019/20 to accommodate these non-material fluctuations.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

[To be provided to us on client headed note paper]

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

23 July 2019

Dear Lucy

Lincolnshire Pension Fund - audit for year ended 31 March 2019
This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director for Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records
I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:
- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error
I acknowledge my responsibility as Executive Director for Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:
- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions
I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments
Unquoted investments are included in the net assets statement at the value estimated by the Fund Manager managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements referred to in the attached appendix are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Executive Director for Resources
22 July 2019

APPENDIX B
DRAFT AUDITOR'S REPORT

Independent auditor's report to Members of Lincolnshire County Council

Opinion on the Pension Fund financial statements

We have audited the financial statements of Lincolnshire Pension Fund for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Executive Director for Resources for the financial statements

As explained more fully in the Statement of the Executive Director for Resources's Responsibilities, the Executive Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Executive Director for Resources is also responsible for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director for Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director for Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley
For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

By 31 July 2019

APPENDIX C
DRAFT CONSISTENCY REPORT

Independent Auditor's Statement to the Members of Lincolnshire County Council on the Pension Fund Financial Statements included within Lincolnshire Pension Fund Annual Report

We have examined the Pension Fund financial statements for the year ended 31 March 2019 included within the Lincolnshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the related notes.

Opinion
In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Lincolnshire County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Respective responsibilities of the Executive Director for Resources and the auditor
As explained more fully in the Statement of the Executive Director for Resources Responsibilities, the Executive Director for Resources is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Lincolnshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Lincolnshire County Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Lincolnshire County Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement
This report is made solely to the members of Lincolnshire County Council, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of Lincolnshire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincolnshire County Council and Lincolnshire County Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Lucy Nutley
For and on behalf of Mazars LLP

Park View House,
58 The Ropewalk
Nottingham
NG1 5DW

Date to be confirmed

APPENDIX D
INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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MAZARS

Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pension Board**
Date:	**03 October 2019**
Subject:	**The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report**

Summary:

This report introduces the Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report.

Recommendation(s):

That the Board note the Pensions Regulator's report and its survey findings.

Background

1. The Public Service Pensions Act 2013 introduced new requirements for the governance and administration of public service pension schemes, which came into force on 1 April 2015. The 2013 Act also gave the Pensions Regulator (tPR) an expanded role to regulate the governance and administration of these schemes from this date.

2. To assess how schemes were meeting the new requirements, and the standards to which they were being run, an annual survey has been undertaken since 2015. The survey includes: an assessment of performance, understanding barriers to improvement, and delves deeper into the top risks of governance, record-keeping and communications.

3. A copy of the Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report is attached at Appendix A. The first six pages of the report provide a summary of the results from the 2018 survey.

Conclusion

4. The Pensions Regulator Public Service Governance and Administration Survey Research Report sets out results from the 2018 survey on how schemes are meeting their requirements and the standards to which they are being run.

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	The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research 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.

Public service governance and administration survey 2018

Research report

Prepared for The Pensions Regulator
By OMB Research

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Contents

1. Executive summary

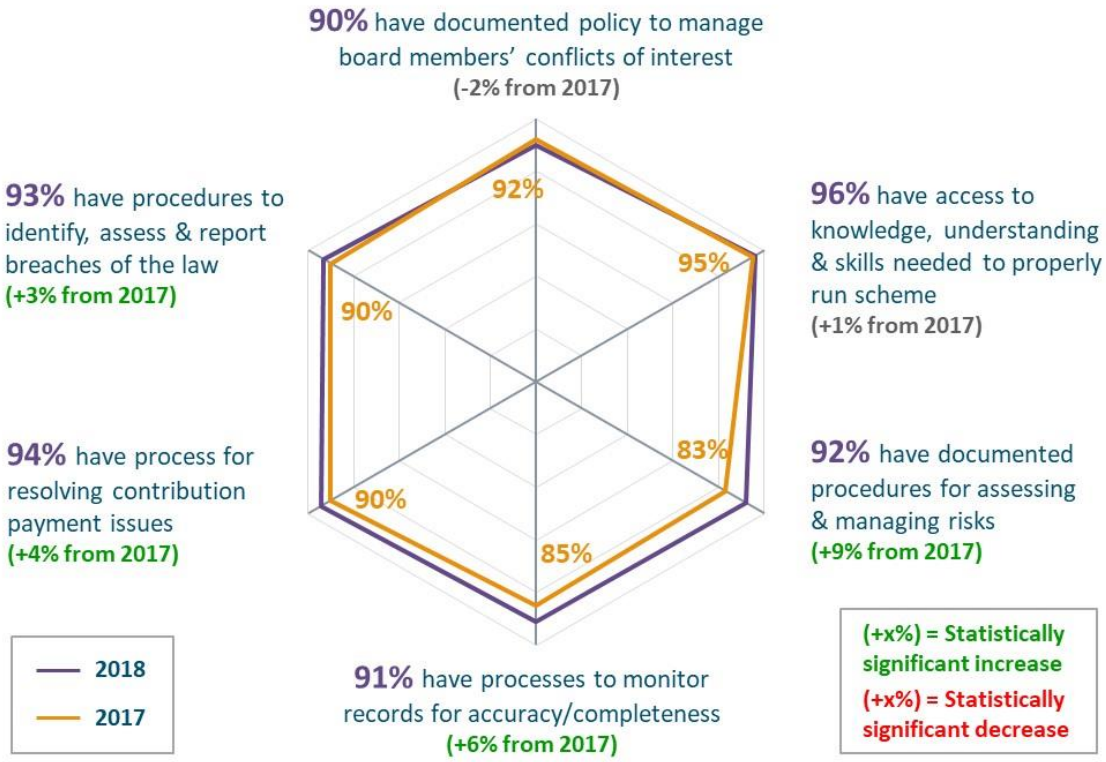
1.1 Key processes

Four of the six key processes that The Pensions Regulator (TPR) monitors as indicators of public service scheme performance have improved since 2017. Three-quarters (74%) of schemes had all six processes in place.

The greatest improvements were seen in the proportion of schemes with documented procedures for assessing and managing risks (92%, compared with 83% in 2017) and processes to monitor records for accuracy and completeness (91%, compared with 85% in 2017).

There was also an increase in the proportion of schemes with procedures to identify, assess and report breaches of the law (93%, compared with 90% in 2017) and the proportion with a process for resolving contribution payment issues 94%, compared with 90% in 2017). However, the latter measure was not directly comparable with the surveys in previous years[1].

Figure 1.1.1 Schemes' performance on key processes



[1] In 2015-2017 the question wording for having a process for resolving contribution payment issues included "and assessing whether to report payment failures to TPR". The overall sense of the question remained the same so the change over time has been shown, but the different wording should be considered when interpreting these results.

Overall, 74% of public service schemes had all six of these key processes in place (compared with 58% who had all six in 2017), representing 75% of all memberships.

The majority (80%) of Local Government schemes and approaching three-quarters (73%) of both the 'Other' and Police schemes had all six processes in place. While this proportion was lower for Firefighters' schemes (63%), this was an increase on the 41% in 2017.

1.2 The pension board[2]

Half of all schemes held four or more pension board meetings in the previous 12 months[3], and the mean number of current board members at the time they completed the survey was 6.8.

Schemes held an average of 3.4 board meetings in the previous 12 months, with half (50%) reporting that they held four or more and a quarter (26%) that they met twice or less. 'Other' schemes were most likely to have held at least four board meetings in the previous 12 months (73% had) and Firefighters' schemes least likely (20% had).

On average, 93% of board meetings were attended by the scheme manager or their representative.

Two-thirds (64%) of schemes had more than five current board members at the time they completed the survey. The mean number of current board members was 6.8. Approaching a third (30%) of schemes had at least one vacant position on the board at the time they completed the survey. On average, 5% of the total positions on the board were vacant. Eleven schemes (6%) reported that they had fewer current board members at the time they completed the survey than specified by their respective regulations[4].

Overall, 96% of schemes believed that the scheme manager and pension board had access to all the knowledge and skills necessary to properly run the scheme. A slightly lower proportion (91%) felt that the scheme manager and pension board had sufficient time and resources to run the scheme properly.

In the majority of schemes (82%) the scheme manager or pension board evaluated the board's knowledge, understanding and skills at least annually. This proportion was lower among 'Other' schemes, where a third (36%) did not evaluate their board at least annually.

[2] Some new questions were added to the 2018 survey about the frequency of pension board meetings, the number of board members and their turnover that were not included in the previous surveys.
[3] TPR sets an expectation that the governing boards of pension schemes should meet often enough to maintain effective oversight and control, which in most cases will be at least quarterly.
[4] Nine of these 11 schemes reported that they had vacant positions on their board at the time they completed the survey. If these vacant positions were filled, each of these nine schemes would have met the minimum requirement for the number of pension board members for their type of scheme. Of the remaining two schemes that had fewer current board members at the time they completed the survey than required by their regulations, one was a Police scheme that had no vacant positions and the other was a Local Government scheme that answered "don't know" to the question on number of vacant positions.

1.3 Managing risk

Risk management procedures and registers were more consistently used than in 2017, but the proportion of schemes that regularly reviewed their risk exposure remained around half.

Most schemes had documented procedures for assessing and managing risks (92%, up from 83% in 2017) and had a risk register (94%, up from 88%). Around half (52%) had reviewed their exposure to new and existing risks on at least a quarterly basis (unchanged from 2017).

The most significant improvements since 2017 were seen in relation to Firefighters' and 'Other' schemes. However, Firefighters' schemes were still less likely to have risk management processes than the other types of public service scheme, and the proportion that had reviewed their risk exposure at least quarterly fell in 2018 (24%, down from 35% in 2017).

1.4 Administration and record-keeping

Administrator attendance at meetings and provision of reports by administrators was widespread but penalties were used less, the same as in 2017.

Most schemes (87%) indicated that administrators regularly delivered reports to the scheme manager and/or pension board. A similar proportion (85%) said the administrators regularly attended meetings with the scheme manager and/or pension board.

A range of other processes were used to manage and monitor administrators, including the use of performance metrics in contracts or service level agreements (73%), reviews by independent auditors (58%) and the provision of independent assurance reports (33%). The use of service level agreements was less prevalent where schemes were administered in-house (48%, compared with 90% of those administered by another public body and 96% of those administered by a commercial third party).

Penalties were less frequently used as a means of managing administrators than other methods, with 18% of schemes imposing these if contractual terms or service standards were not met.

A significant minority of schemes (14%) had never reviewed who should provide their administration services, rising to 29% of those administered in-house.

Four in ten (42%) schemes said their employers always provided timely data and a similar proportion (39%) said they always provided accurate and complete data.

These proportions were lower for multi-employer schemes than single employer schemes. One in ten (12%) multi-employer schemes said their employers always provided timely data compared with nine in ten (90%) single employer schemes. A similar proportion (11%) of multi-employer

schemes said their employers always provided accurate and complete data compared with 85% of single employer schemes.

Almost nine in ten (88%) multi-employer schemes had a defined escalation process for dealing with employers who do not provide timely or accurate data. The most common actions included in the process were chasing in writing (97%), chasing by telephone (93%) and escalating the matter to senior staff (92%). 'Other' schemes were less likely to assess for breaches of the law and impose penalties as part of this escalation process.

Six in ten (56%) schemes reported that all their employers submitted data monthly and seven in ten (66%) that all their employers submitted it electronically.

As with timeliness of data and its accuracy and completeness, these proportions were lower for multi-employer schemes than single employer schemes. Four in ten (44%) multi-employer schemes said all their employers submitted data monthly compared with eight in ten (78%) single employer schemes. Half (51%) of multi-employer schemes said all their employers submitted data electronically compared with nine in ten (92%) single employer schemes.

1.5 Cyber security[5]

Schemes were asked about 14 specific cyber controls, and three-quarters had at least half of these in place (i.e. seven or more of the controls).

The most common types of protection were controls restricting access to systems and data (83%), system controls such as firewalls and anti-virus software (82%), policies on data access, protection, use and transmission in line with data protection legislation and guidance (81%), policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working (80%), and regular back-ups of critical systems and data (80%).

Comparatively few schemes indicated that the scheme manager or pension board received regular updates on cyber risks, incidents and controls (39% and 26% respectively).

Half of schemes reported that they had experienced some kind of cyber breach or attack in the previous 12 months.

These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (42%). In most cases (85%) these incidents had not had any impact. Where negative impacts were reported, this tended to be either the scheme's website or online services being taken down or made slower (9%) or temporary loss of access to files or networks (7%).

[5] A new section on cyber security was included in the 2018 survey.

1.6 Data reviews

The majority of schemes had completed a data review in the previous 12 months, had identified issues and were taking action to address them.

Over three-quarters (83%) of schemes had completed a data review in the previous 12 months (up from 75% in 2017), and a further 8% reported that one was currently underway. The proportion of Local Government schemes that had completed a data review in the previous 12 months increased from 74% in 2017 to 93% in 2018, but the proportion of 'Other' schemes that had done so fell from 100% in 2017 to 82% in 2018.

Overall, 97% of the most recently completed data reviews had looked at common data, 80% scheme-specific data and 60% had included member existence checks. While the proportion looking at common data was similar across all scheme types, Police schemes were less likely to have covered scheme-specific data in their most recent review (41%).

Approaching three-quarters (72%) of schemes that had reviewed their common data, and 80% of those that had reviewed their scheme-specific data, had identified issues. Most had either put a data improvement plan in place but not yet completed rectification work or were in the process of developing an improvement plan.

1.7 Annual benefit statements

The majority of active members had received their annual benefit statement by the statutory deadline.

Overall, 66% of schemes reported that they had met the statutory deadline for all their active members (compared with 60% in 2017). This proportion was higher for Firefighters' and Police schemes (78% and 75% respectively) but lower for 'Other' (55%) and Local Government (56%) schemes (both of which are multi-employer schemes and typically have a greater number of members).

Most schemes that missed the deadline for any active members did not report this to TPR (62%). A quarter (26%) made a breach of law report. Those schemes who did not report the missed deadline typically said this was because it was not seen as material, either because few members were affected, or the delay was very short.

The vast majority of schemes (90%) reported that all of the statements they sent out contained all the data required by regulations.

1.8 Resolving issues and reporting breaches

Around 11,000 complaints were estimated to have been made to public service schemes in the last year, equating to 7 per 100 members.

The types of complaints made varied by scheme type, but at an overall level the top types related to eligibility for ill health benefit (39%), disputes or

queries about the amount of benefit paid (31%), slow or ineffective communication (29%) and delays to benefit payments (28%).

Nine in ten schemes had procedures to identify breaches of the law and to assess the breaches and report them to TPR if required.

Three in ten schemes (30%) had identified breaches (excluding those relating to annual benefit statements) in the previous 12 months. Around a third of these schemes (11% of all schemes) had reported these to TPR. 'Other' and Local Government schemes (which are typically larger) were most likely to have both identified breaches (45% and 43% respectively) and reported them (each 18%).

1.9 Addressing governance and administration issues

Scheme complexity, lack of resources or time and the volume of changes required to comply with legislation were seen as the top three barriers to improving scheme governance and administration in the next 12 months.

The complexity of the scheme was identified as a main barrier to improving scheme governance and administration by 70% of schemes and was the most widely mentioned barrier among all scheme types. Approaching half of schemes also identified lack of resources or time (47%) and the volume of changes required to comply with legislation (45%) as main barriers.

Improved governance and administration was attributed to a better understanding of expected standards and the risks facing the scheme, as well as improved engagement by TPR.

Around two-thirds of schemes felt that the improvements they had made to scheme governance and administration over the previous 12 months were down to better understanding of the underlying legislation and the standards expected by TPR (67%) and of the risks facing their scheme (63%); 45% also attributed this to improved engagement by TPR.

1.10 Perceptions of TPR

More schemes agreed that TPR was 'tough', 'evidence-based' and 'visible' than in 2017.

Schemes were most likely to agree that TPR was 'visible' and 'respected' (89% and 78% respectively). While schemes were least likely to agree that TPR was 'decisive' and 'tough' (53% and 55% respectively), the proportion agreeing with the latter had increased from 47% in 2017.

TPR was generally felt to be effective at improving standards of governance and administration in public service pension schemes.

Overall 88% of schemes judged TPR to be very or fairly effective at improving standards of governance and administration in public service schemes. The 'Other' schemes were most positive in this respect, with 45% rating TPR as very effective.

2. Introduction

2.1 Background

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the 2013-2014 Acts) introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The 2013-2014 Acts also gave TPR an expanded role to regulate the governance and administration of these schemes from 1 April 2015. In January 2015, TPR published its draft code of practice for the governance and administration of public service pension schemes (the PSPS code), which sets out the standards of conduct and practice it expects of those responsible, as well as practical guidance about how to comply with the legal requirements. The code came into force by 1 April 2015.

As part of its expanded role, TPR is responsible for 207 public service schemes in respect of eight public service workforces, covering around 16.9 million memberships.

A survey was undertaken in 2015 to assess how schemes were meeting the new requirements, and the standards to which they were being run. Further surveys were run in 2016, 2017 and 2018 to provide a further assessment of performance, understand barriers to improvement, and delve deeper into the top risks of governance, record-keeping and communications.

2.2 Communications activities

TPR continues to engage with those acting in the public service pension scheme landscape. In 2018-19 this activity included:

- direct engagement through pension board meetings,
- presenting and holding workshops at cohort-wide training events and conferences,
- engagement with associated employers at training events and conferences,
- communications setting out TPR's expectations for pension boards and scheme managers and;
- regular pro-active engagement with scheme managers and scheme advisory boards.

The focus of this engagement is tailored to the audience and situation and ranges from overviews and summaries of scheme manager and pension board responsibilities and duties, to focused training on topics such as data improvement and governance.

In addition to direct engagement, TPR produced guidance products and conducted a range of associated communications campaigns following the lessons learned from previous PSPS governance and administration surveys.

3. Methodology

As with the previous surveys, an online self-completion approach was adopted for the following reasons:

- The large amount of data to collect would have made a telephone interview very long and burdensome for respondents.
- It was anticipated that many schemes would need to do some checking/verification in order to answer the questions accurately.
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute.

Owing to the nature and the amount of information required, a carefully structured research approach was necessary, giving respondents early warning of the kinds of information that we were seeking to collect and allowing them to devote an appropriate amount of time and effort to providing accurate and reliable information, liaising with colleagues if needed. Therefore, a multi-stage approach was adopted:

- **Stage 1:** Pre-notification emails were sent by TPR to the pension board chairs and scheme managers to explain the nature of the research, introduce OMB Research (OMB), warn schemes that their participation would be requested and ask them to let OMB know whether the scheme manager or their representative would be completing the survey and, if necessary, provide their contact details.
- **Stage 2:** OMB sent a tailored invitation email to each scheme manager or their chosen representative. This contained a unique survey URL and a link to a 'hard copy' of the questionnaire (for reference when compiling information prior to completion).
    - In the case of referrals, sample details were updated so that the most appropriate person was contacted going forward.
- **Stage 3:** OMB sent a further two tailored reminder emails to schemes that had either not started the survey or had only partially completed it.
- **Stage 4:** OMB executives undertook a phase of telephone chasing with non-responders. These calls ensured that the invitation email had been received, confirmed the identity of the most appropriate individual to complete the survey and encouraged schemes to take part.

The approach was supported by other TPR communications and engagement (including promotion by key stakeholders such as scheme advisory boards).

3.1 Sampling

The sample for this research was extracted from TPR's scheme registry database. The target audience was scheme managers of open public service schemes or their representatives. For the purpose of the survey, each locally-administered section of relevant Firefighters', Police and Local Government schemes was treated as a separate scheme, forming a total universe of 207 schemes.

Scheme managers or their representatives were asked to work with the pension board chair to complete the survey and, where necessary, seek input from others with specialist knowledge (e.g. the scheme administrator).

3.2 Fieldwork

All surveys were completed between 5 November and 21 December 2018. In total, 195 of the 207 public service pension schemes completed the survey. This equates to a 94% response rate, covering 99% of all memberships.

Table 3.2.1 Interview numbers and universe

Scheme type	Interviews	Schemes		Memberships	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	10,011,614	100%
Firefighters	46	51	90%	115,841	93%
Local Government	94	99	95%	6,385,338	98%
Police	44	46	96%	369,704	97%
Total	**195**	**207**	**94%**	**16,882,497**	**99%**

Three-quarters (76%) of the completed surveys were submitted in response to the initial email and reminders, with the remainder submitted during the telephone chasing phase.

3.3 Respondent profile

Scheme managers or their representatives contributed to 90% of submitted surveys, and directly completed it in 73% of cases. Over half (55%) of the surveys were completed with input from the pension board chair, with other board members involved in 23%. Over half (58%) involved consultation with the scheme administrator.

Table 3.3.1 Respondent role

Respondent role	Completed	Consulted	Total
Scheme manager	30%	23%	**52%**
Representative of the scheme manager[6]	43%	29%	**59%**
Pension board chair	6%	49%	**55%**
Pension board member[3]	3%	21%	**23%**
Administrator	14%	45%	**58%**
Other	5%	12%	**16%**
Net: Scheme manager/representative	**73%**	**44%**	**90%**
Net: Pension board chair/ member	**8%**	**55%**	**59%**

[6] For 'representative of the scheme manager' and 'pension board member', the *total* percentage is lower than the sum of the *completed by* and *consulted with* percentages. This is because there can be more than one person at the scheme in these roles, and in some cases, one completed the survey, and another consulted on it, so they appear in both these columns (but only count once in the total column).

3.4 Analysis and reporting conventions

Throughout this report, results are reported at an aggregate level for all respondents and by cohort: Local Government, Firefighters', Police and 'Other'[7] schemes. The cohorts are grouped in this way to reflect the different governance structures, funding methods and employer profiles.

To ensure that results are representative of all public service pension schemes, the data throughout this report is shown weighted. **Scheme** data has been weighted based on the number of public service schemes of each type. **Membership** data has been weighted based on the total number of memberships in each scheme type. It should be noted that the membership-weighted results are heavily influenced by the 'Other' schemes, which account for 59% of all memberships. The narrative commentary in this report therefore typically focuses on the scheme-weighted findings.

Where available and comparable, the results from the 2015, 2016 and 2017 PSPS governance and administration surveys have been included[8].

When interpreting the data presented in this report, please note that results may not sum to 100% due to rounding and/or due to respondents being able to select more than one answer to a question.

Data presented in this report are from a sample of public service schemes rather than the total population. This means the results are subject to sampling error. Differences between cohorts and different years of the research have been tested for statistical significance, using finite population correction (i.e. reflecting that 94% of the total public service scheme universe completed the survey). Differences are commented on in the text only if they are statistically significant at the 95% confidence level. This means there is no more than a 5% chance that any reported differences are not real but a consequence of sampling error.

[7] Centrally administered unfunded schemes excluding relevant Local Government, Firefighters' and Police schemes.

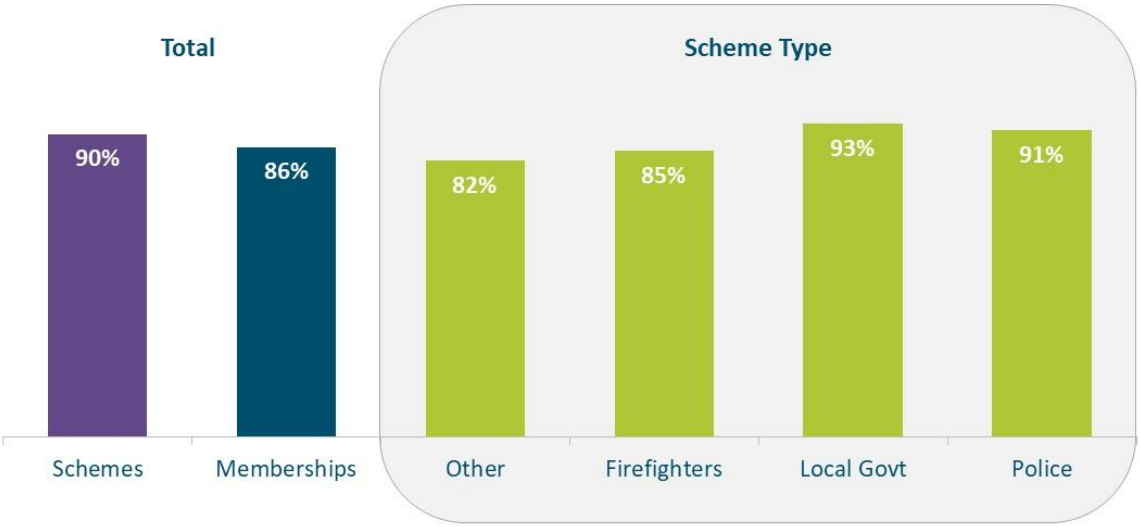
[8] Although data was reported unweighted in the published 2015 report, weights have been retrospectively applied to this data to ensure direct comparability with the results from subsequent surveys. For this reason, the 2015 figures do not always exactly match those in the published 2015 report.

4. Research findings

4.1 Scheme governance

Overall, 90% of schemes had a documented policy to manage board members' conflicts of interest, representing 86% of memberships.

Figure 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 0%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 1%, 0%), Police (44, 5%, 0%)

Local Government (93%) and Police (91%) schemes were most likely to have a documented policy to manage conflicts of interest. Firefighters' and 'Other' scheme were least likely to have this in place (85% and 82% respectively). Incidence increased with scheme size; 96% of schemes with over 100,000 memberships had a policy compared with 91% of those with 5,001-100,000 memberships and 85% of those with 5000 or fewer memberships.

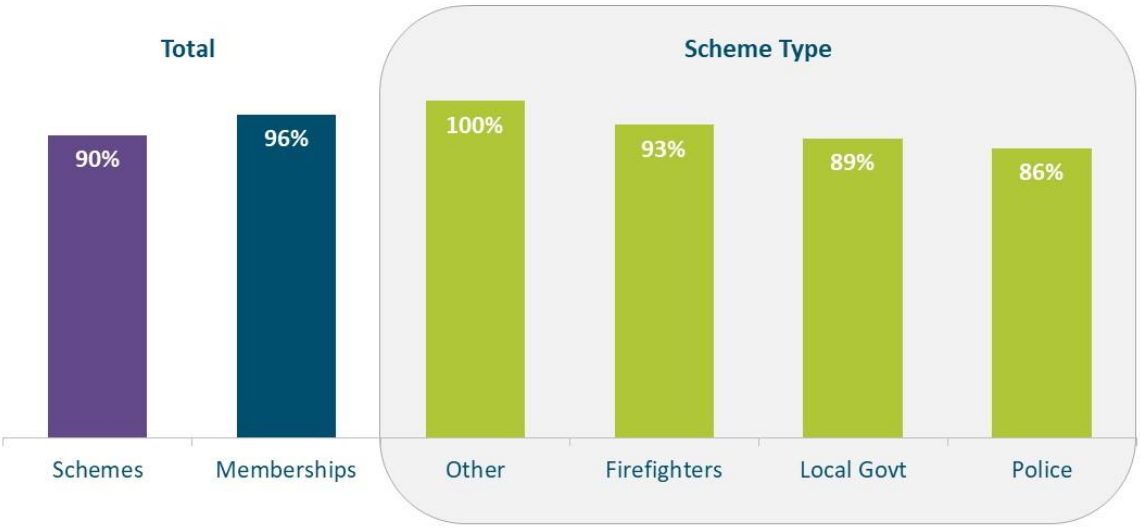
While overall the proportion of schemes with a documented policy to manage conflicts of interest had not changed compared with 2017 (90% in 2018 and 92% in 2017), the proportion of 'Other' and Firefighters' schemes with a policy each fell by 9 percentage points.

Table 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**90%**	**82%**	**85%**	**93%**	**91%**
PSPS Survey 2017	92%	91%	94%	92%	91%
PSPS Survey 2016	81%	100%	80%	85%	71%
PSPS Survey 2015	85%	100%	79%	87%	86%

Overall, 90% of schemes maintained a register of pension board members' interests, with every 'Other' scheme (100%) doing so.

Figure 4.1.2 Proportion of schemes that maintained a register of pension board members' interests



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 4%, 0%), Police (44, 7%, 0%)

The proportion of schemes with a register of interests increased since the 2017 survey, from 84% to 90%. This increase was evident for Police and 'Other' schemes (+16 and +9 percentage points respectively).

Table 4.1.2 Proportion of schemes that maintained a register of pension board members' interests – Time series

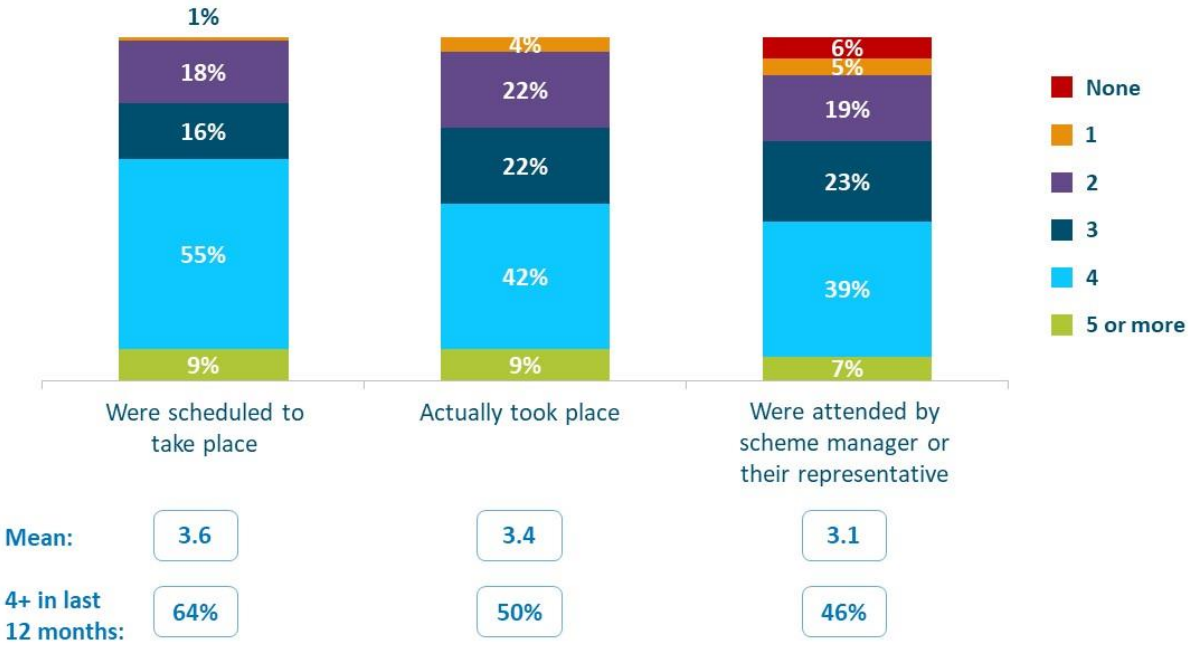
	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**90%**	**100%**	**93%**	**89%**	**86%**
PSPS Survey 2017	84%	91%	92%	86%	70%
PSPS Survey 2016	85%	100%	86%	87%	74%
PSPS Survey 2015	75%	92%	57%	77%	86%

On average, schemes had scheduled 3.6 pension board meetings in the previous 12 months, with two-thirds (64%) of schemes scheduling four or more board meetings.

However, not all the scheduled meetings went ahead; schemes reported that they had actually had an average of 3.4 board meetings in the previous 12 months, with half (50%) holding four or more. A quarter (26%) of schemes reported that their pension boards had met twice or less in the previous 12 months.

Most pension board meetings were attended by the scheme manager or their representative. On average they had attended 3.1 meetings in the previous 12 months. Approaching half (46%) of schemes indicated that the scheme manager or their representative had attended four or more board meetings.

Figure 4.1.3 Number of pension board meetings in the last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 1%, 1%)

Across all schemes, the mean proportion of scheduled pension board meetings that actually took place was 93%. On average, 93% of the meetings that took place were attended by the scheme manager or their representative.

Table 4.1.3 Proportion of pension board meetings that went ahead and were attended by the scheme manager/representative

	Total schemes
Base: All respondents	*195*
% of scheduled meetings that took place (mean)	93%
% of meetings taking place attended by scheme manager/representative (mean)	93%

'Other' schemes were most likely to have scheduled and held at least four board meetings in the previous 12 months (91% and 73% respectively). Firefighters' schemes were least likely to have done so, with one in five (20%) holding four or more board meetings in the previous 12 months (and a mean of 2.5 meetings).

Table 4.1.4 Number of pension board meetings in the last 12 months - by scheme type

		Scheme Type			
		Other	Firefighters	Local Govt	Police
Base: All respondents		*11*	*46*	*94*	*44*
Scheduled to take place	Mean	3.9	3.0	3.8	3.7
	4+ in last year	91%	41%	68%	73%
Actually took place	Mean	3.7	2.5	3.7	3.5
	4+ in last year	73%	20%	59%	61%
Attended by scheme manager/representative	Mean	3.7	2.3	3.5	3.2
	4+ in last year	73%	17%	54%	52%
% of scheduled meetings that took place (mean)		**95%**	**85%**	**96%**	**96%**
% of meetings taking place attended by scheme manager/representative (mean)		**100%**	**89%**	**94%**	**91%**

Larger schemes typically held a greater number of board meetings; 66% of schemes with over 30,000 memberships had at least 4 meetings in the previous 12 months, compared with 51% of those with 2,001-30,000 memberships and 18% of those with 2,000 or fewer memberships.

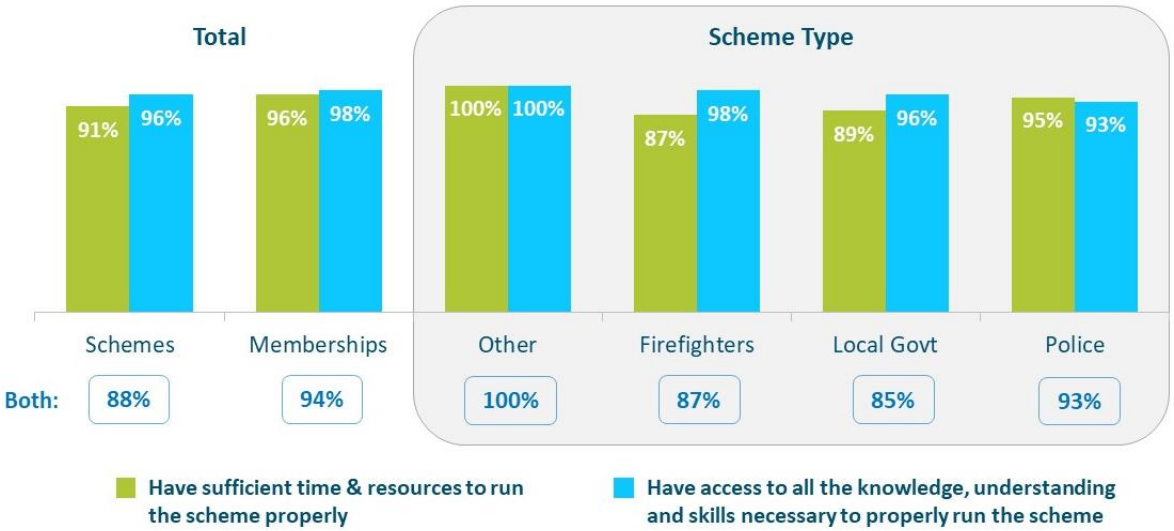
The smallest single employer schemes (with 2,000 or fewer memberships) held board meetings least frequently, with 7% having at least four in the previous 12 months.

Schemes were asked whether the scheme manager and pension board had sufficient time and resources to run the scheme properly, and whether they had access to all the necessary knowledge, understanding and skills.

Figure 4.1.4 shows that almost all schemes (96%) believed the scheme manager and pension board had access to all the knowledge and skills necessary to properly run the scheme. Schemes were slightly less likely to report that they had sufficient time and resources, but 91% still agreed this was the case.

Every 'Other' scheme felt they had sufficient knowledge, understanding and skills, and sufficient time and resources.

Figure 4.1.4 Scheme manager and pension board resources and knowledge



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2-3%, 0-1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0-2%, 0%), Local Government (94, 1-3%, 0%), Police (44, 5%, 0-2%)

There was an increase since 2017 in the proportion of schemes that reported that the scheme manager and pension board had sufficient time and resources (up from 81% to 91%), particularly for Police and 'Other' schemes (+21 and +18 percentage points respectively). While there was no overall change since 2017 in the proportion reporting that the scheme manager and pension board had access to all the necessary knowledge, understanding and skills, this had increased for 'Other' and Firefighters' schemes (+9 and +6 percentage points). However, fewer Police schemes believed this was the case than in 2017 (-5 percentage points).

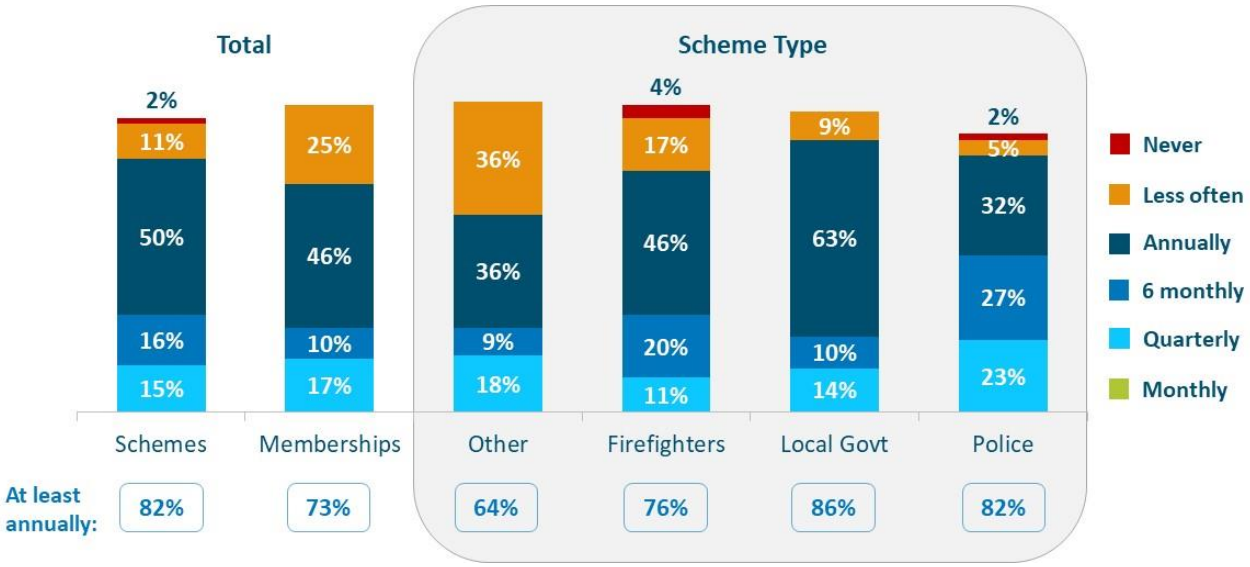
Table 4.1.5 Scheme manager and pension board resources and knowledge – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Sufficient time and resources to run the scheme properly[9]					
PSPS Survey 2018	**91%**	**100%**	**87%**	**89%**	**95%**
PSPS Survey 2017	81%	82%	82%	84%	74%
Access to all the knowledge, understanding and skills necessary to properly run the scheme[10]					
PSPS Survey 2018	**96%**	**100%**	**98%**	**96%**	**93%**
PSPS Survey 2017	95%	91%	92%	97%	98%
PSPS Survey 2016	93%	100%	94%	93%	89%
PSPS Survey 2015	73%	92%	36%	85%	82%

[9] This question was not asked in 2015 or 2016 so no comparable data is available.
[10] In the 2015 and 2016 surveys the question wording was slightly different with schemes asked if they had developed policies and arrangements to help pension board members acquire and retain the knowledge and understanding they require. The overall sense of the question remained the same so the change over time has been shown, but the different wording should be considered when interpreting these results.

In the majority of cases (82%) the scheme manager or pension board carried out an evaluation of the board's knowledge, understanding and skills at least annually. This proportion was lower among 'Other' schemes, where a third (36%) did not evaluate their board at least annually.

Figure 4.1.5 Frequency of scheme manager or pension board carrying out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 6%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 5%, 0%), Police (44, 11%, 0%)

As shown in Table 4.1.6, two-thirds (64%) of schemes had more than five current members on their pension board at the time they completed the survey. The mean number of current board members was 6.8.

Table 4.1.6 Number of current pension board members

	Total schemes
Base: All respondents	*195*
2-3 current board members	5%
4-5 current board members	29%
6-7 current board members	32%
8-9 current board members	16%
10+ current board members	16%
Mean number of current board members	**6.8**
Don't know	2%
Did not answer question	1%

Eleven schemes (6%) reported that they had fewer current board members at the time they completed the survey than specified by their respective

regulations. Of these, six were Local Government schemes, three were Firefighters' and two were Police.

Schemes were also asked to provide details of the number of vacant positions on their board, the number of board members that had left in the previous 12 months and the number of members appointed in this period.

While the majority of schemes (71%) reported that one or more board member had left in the previous 12 months, 64% indicated that at least some of these had been replaced with new appointments. Approaching a third (30%) of schemes had at least one vacant position on the board at the time they completed the survey.

Figure 4.1.7 Turnover of pension board members

	Vacant positions	Members that left in last 12 months	Members appointed in last 12 months
Base: All respondents	*195*	*195*	*195*
0	67%	27%	32%
1	25%	34%	27%
2	3%	16%	17%
3	2%	14%	14%
4+	0%	7%	7%
Net: 1+	**30%**	**71%**	**64%**
Mean	**0.4**	**1.4**	**1.4**
Don't know	3%	2%	3%
Did not answer question	1%	1%	1%

Further analysis was conducted to assess the total number of board positions in each scheme. The number of 'total positions' on the board was calculated by combining the number of current board members and number of vacant positions.

As shown in Table 4.1.8, the mean number of total positions was 7.2. On average, schemes reported that 20% of the total positions on their board had left in the previous 12 months but 19% had been filled by new appointments. The mean proportion of total board positions that were vacant at the time the schemes completed the survey was 5%.

Table 4.1.8 Number of total pension board positions (current members plus vacant positions)

	Total schemes
Base: All respondents	*195*
Mean number of total positions on board (current + vacant)	7.2
Mean % of total positions that are vacant	5%
Mean % of total positions that left in last 12 months	20%
Mean % of total positions appointed in last 12 months	19%

'Other' schemes tended to have the greatest number of current board members (a mean of 10.4) and Firefighters' schemes had the fewest (a mean of 5.1).

Table 4.1.9 Number and turnover of pension board members – by scheme type

	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*11*	*46*	*94*	*44*
Mean no. of current board members	10.4	5.1	6.6	8.2
Mean no. of vacant positions	1.0	0.3	0.3	0.4
Mean no. of board members that left in last 12 months	1.5	1.2	1.2	2.1
Mean no. of board members appointed in last 12 months	1.5	1.1	1.2	2.1
Mean no. of total positions (current + vacant)	**11.4**	**5.4**	**7.0**	**8.6**
Mean % of total positions that are vacant	**8%**	**6%**	**5%**	**5%**
Mean % of total positions that left in last 12 months	**11%**	**21%**	**18%**	**24%**
Mean % of total positions appointed in last 12 months	**12%**	**18%**	**18%**	**24%**

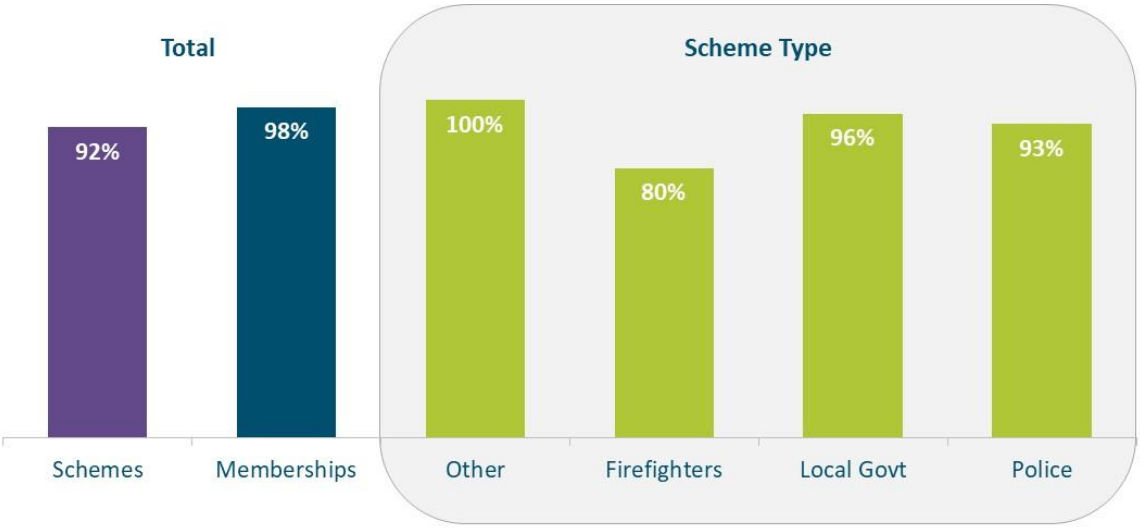
As mentioned previously, 11 schemes had fewer current board members at the time they completed the survey than specified by their respective regulations. Nine of these schemes had vacant positions on their board. If these vacant positions were filled, each of these nine schemes would have met the minimum requirement for the number of pension board members for their type of scheme.

Of the remaining two schemes that had fewer current board members than required by their regulations, one was a Police scheme that had no vacant positions and the other was a Local Government scheme that answered "don't know" to the question on number of vacant positions.

4.2 Managing risk

Around nine in ten schemes (92%) had documented procedures for assessing and managing risk. Every 'Other' scheme had these in place (100%), but Firefighters' schemes were least likely to do so (80%).

Figure 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 1%, 1%), Police (44, 0%, 0%)

The presence of documented risk procedures was correlated with scheme size; 100% of those with over 100,000 memberships had these in place compared with 82% of schemes with 2,000 or fewer members.

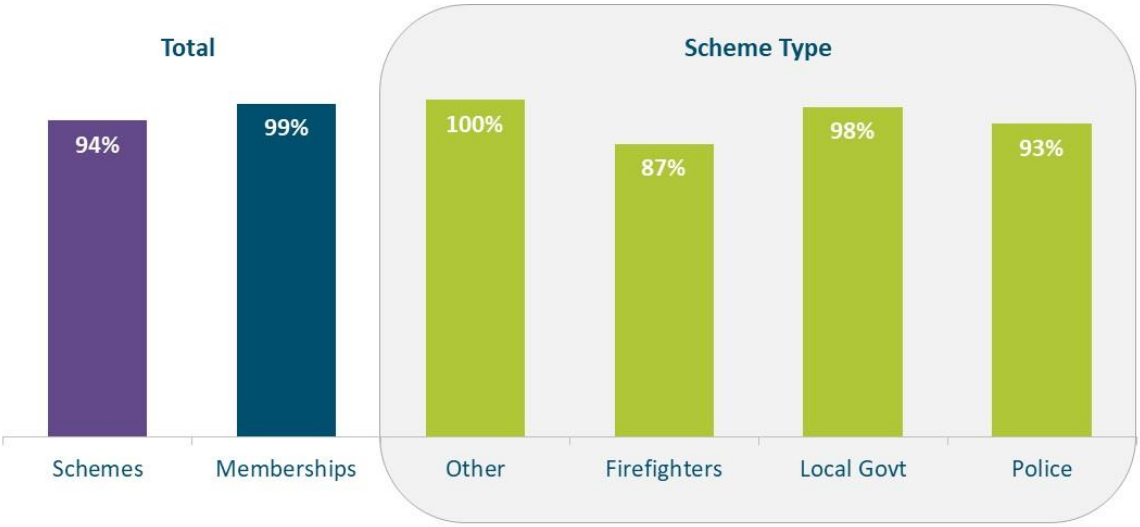
When comparing findings from 2018 and 2017, there was an increase in the overall proportion of schemes that had documented procedures for assessing and managing risk (from 83% to 92%). The proportion for 'Other', Firefighters' and Police schemes had also increased.

Table 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**92%**	**100%**	**80%**	**96%**	**93%**
PSPS Survey 2017	83%	82%	63%	93%	84%
PSPS Survey 2016	72%	91%	44%	92%	51%
PSPS Survey 2015	70%	100%	36%	79%	82%

The vast majority (94%) of schemes had a risk register, with this rising to 100% of 'Other' and 98% of Local Government schemes.

Figure 4.2.2 Proportion of schemes that had a risk register



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 1%, 1%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 0%, 1%), Police (44, 2%, 0%)

Schemes were more likely to have a risk register than in 2017 (94% vs. 88%). This increase was greatest for Firefighters' scheme (+18 percentage points).

Table 4.2.2 Proportion of schemes that had a risk register – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**94%**	**100%**	**87%**	**98%**	**93%**
PSPS Survey 2017	88%	91%	69%	97%	88%
PSPS Survey 2016	70%	91%	38%	91%	51%
PSPS Survey 2015	76%	100%	36%	91%	82%

All schemes were asked to identify the top three governance and administration risks on their register (or facing the scheme if they did not have a risk register). As detailed in Table 4.2.3, a wide range of risks were reported. The most prevalent were record-keeping (49%), regulatory compliance (38%), funding or investment (35%) and the recruitment and retention of staff or knowledge (27%).

The key risks differed by scheme type. Record-keeping was identified as the top risk by 'Other' (36%) and Police (73%) schemes, regulatory compliance by Firefighters' schemes (61%, closely followed by record-keeping at 57%) and funding or investment by Local Government schemes (68%).

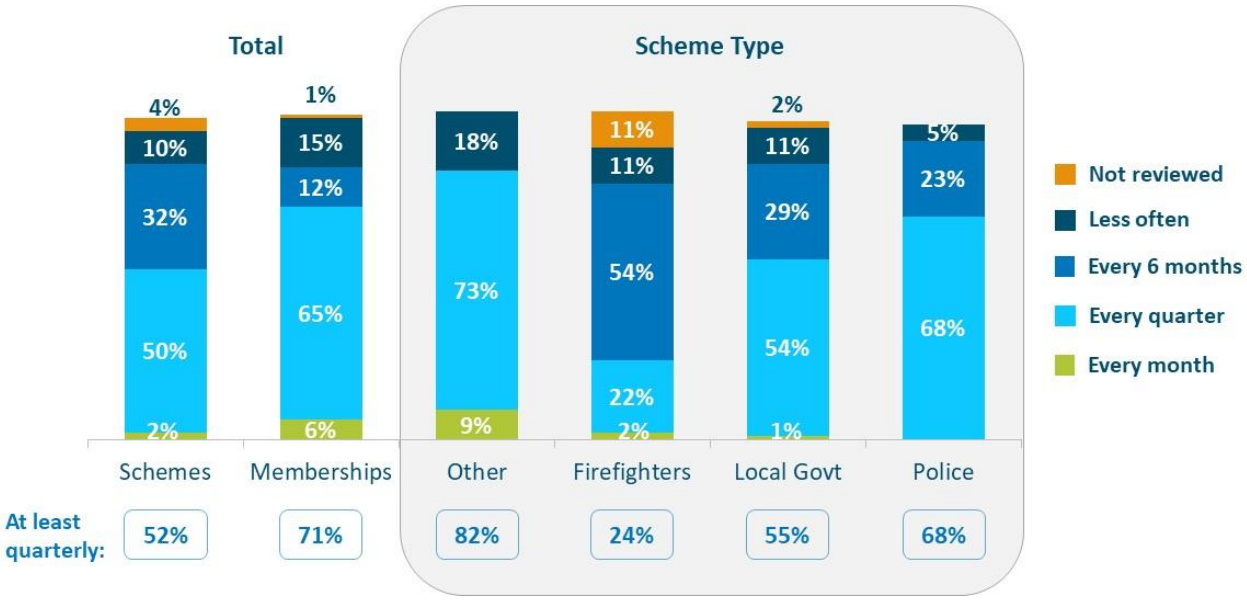
Table 4.2.3 Top governance and administration risks

Top Mentions (5%+)	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*195*	*11*	*46*	*94*	*44*
Record-keeping (i.e. receipt and management of correct data)	49%	37%	36%	57%	36%	73%
Securing compliance with changes in scheme regulations	38%	22%	18%	61%	26%	43%
Funding or investment	35%	26%	0%	7%	68%	5%
Recruitment and retention of staff or knowledge	27%	22%	18%	26%	28%	27%
Systems failures (IT, payroll, administration systems, etc)	20%	26%	27%	15%	26%	11%
Lack of resources/time	16%	17%	18%	20%	15%	14%
Guaranteed Minimum Pension (GMP) reconciliation	15%	21%	27%	13%	11%	23%
Administrator issues (expense, performance, etc)	14%	16%	18%	20%	12%	14%
Production of annual benefit statements	14%	20%	27%	13%	10%	20%
Cyber risk	9%	9%	9%	11%	9%	9%
Receiving contributions from the employer(s)	8%	6%	0%	0%	15%	2%
Failure of internal controls	8%	1%	0%	22%	2%	7%
Lack of knowledge, effectiveness or leadership among key personnel	7%	2%	0%	9%	5%	11%
Don't know	1%	0%	0%	0%	0%	5%
Did not answer question	0%	0%	0%	0%	0%	0%

There were some differences by scheme size, with smaller schemes of 5,000 or fewer members more likely than larger ones to identify record-keeping (62% vs. 42%) and regulatory compliance (55% vs. 28%) as top risks.

As detailed in Figure 4.2.3, half of schemes (52%) had reviewed their exposure to new and existing risks at least every quarter over the previous 12 months, with these schemes accounting for 71% of all public service memberships. Most of the remainder had reviewed their risk exposure every 6 months (32% of all schemes), but 4% had not reviewed their risk exposure in the previous 12 months.

Figure 4.2.3 Frequency of reviewing risk exposure in last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 2%, 1%), Police (44, 5%, 0%)

Firefighters' schemes were least likely to have reviewed their risk exposure on a regular basis; 24% had done so at least every quarter.

The frequency of reviewing risk exposure was correlated with scheme size; 77% of those with over 100,000 memberships had done so at least quarterly, compared with 56% of those with 5,001-100,000 memberships and 36% of those with 5,000 or fewer memberships.

Schemes that had held four or more board meetings in the previous 12 months were also more likely to have reviewed their risk exposure at least every quarter (70% compared with 34% of those who had met less than four times).

There was no change in the overall proportion of schemes that had reviewed their risk exposure at least quarterly (49% in 2017 vs. 52% in 2018), but it had increased for Police schemes (+24 percentage points) and declined for 'Other' and Firefighters' schemes (-18 and -11 percentage points respectively).

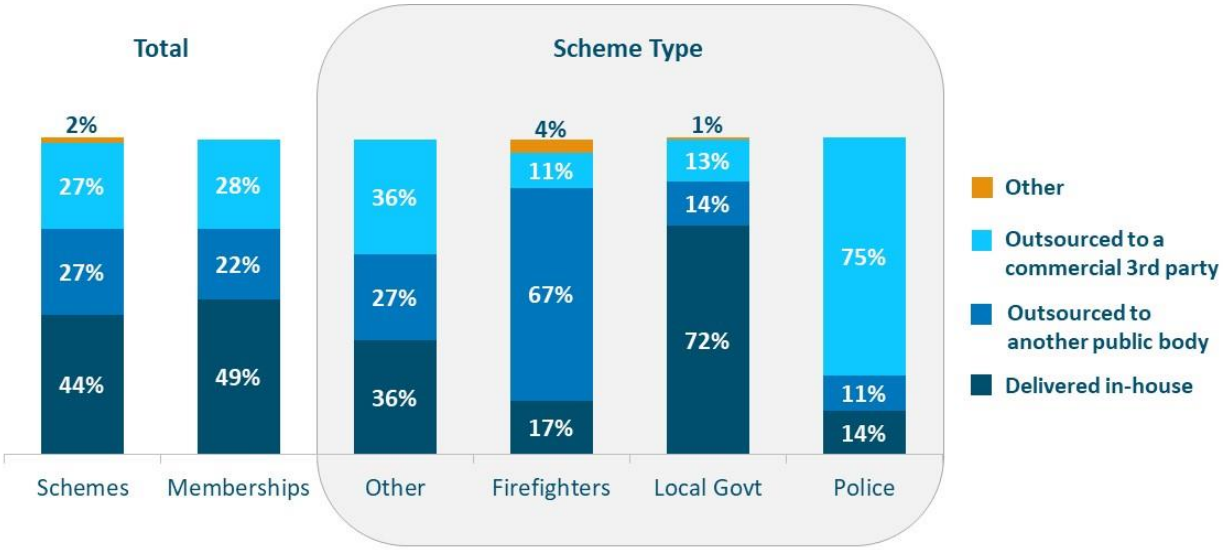
Table 4.2.4 Proportion of schemes reviewing exposure to new and existing risks at least every quarter – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**52%**	**82%**	**24%**	**55%**	**68%**
PSPS Survey 2017	49%	100%	35%	53%	44%

4.3 Administration and record-keeping

There was a broadly equal split between schemes that were administered in-house (44%) and those where the administration was outsourced (55%). Among those that were administered externally, similar proportions used other public bodies (27%) and commercial third parties (27%).

Figure 4.3.1 Scheme administration arrangements



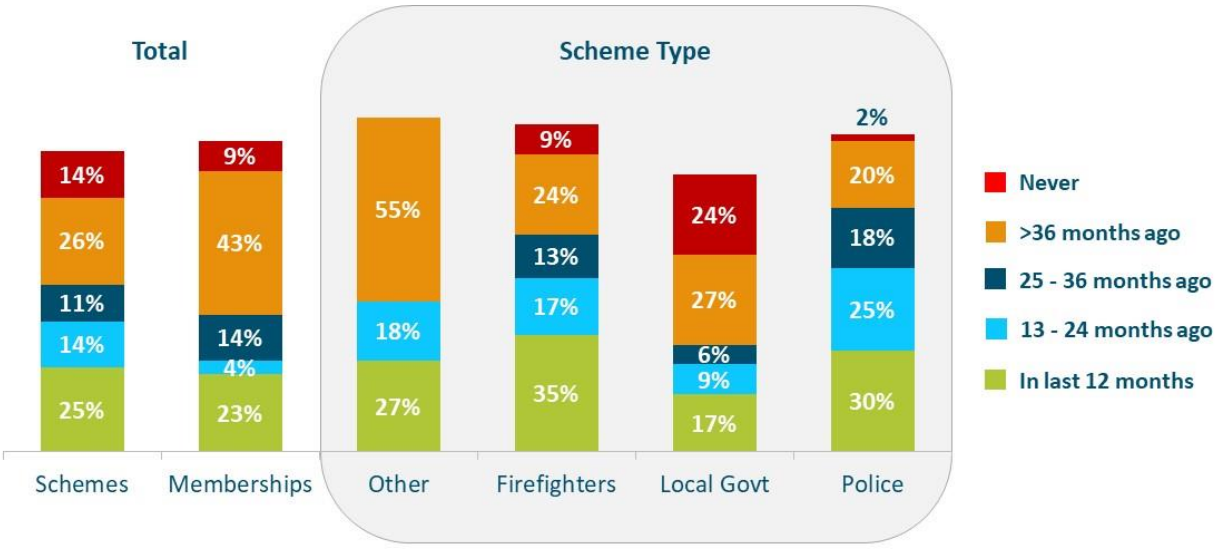
All respondents (Base, Don't know, Did not answer question) - Schemes (195, 0%, 0%), Memberships (195, 0%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Government (94, 0%, 0%), Police (44, 0%, 0%)

There was some variation by scheme type in terms of the administration arrangements. Just under three-quarters (72%) of Local Government schemes undertook scheme administration in-house, whereas 'Other', Firefighters' and Police schemes were more likely to outsource it (64%, 78% and 86% respectively). Of the latter groups, Firefighters' schemes tended to outsource administration to another public body whereas Police schemes were most likely to use a commercial third party, and there was a more even split for 'Other' schemes (27% and 36% respectively).

Larger schemes were more likely to have in-house administration arrangements; 78% of schemes with over 30,000 memberships were administered in-house, compared with 40% of those with 5,001-30,000 memberships and 13% of those with 5,000 or fewer memberships.

As detailed in Figure 4.3.2, the frequency with which schemes reviewed who should provide their administration services varied widely. A quarter (25%) had done so in the previous 12 months, with similar proportions doing so 13-36 months ago (25%) and over 36 months ago (26%). A further 14% of schemes had never reviewed who should provide their administration.

Figure 4.3.2 Frequency of reviewing scheme administration providers



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 10%, 0%), Memberships (195, 7%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 17%, 0%), Police (44, 5%, 0%)

Police and Firefighters' schemes were most likely to have reviewed their administration provider in the previous 36 months (73% and 65% respectively). However, over half of 'Other' (55%) and Local Government (51%) had not done so in the previous 36 months, with approaching a quarter (24%) of the latter reporting that they had never reviewed their provider.

Those schemes that used external administration providers were more likely to have reviewed who should provide these services. Around three-quarters of those outsourcing administration to a commercial 3rd party or another public body had reviewed their provider in the previous 36 months (78% and 71% respectively), compared with 18% of schemes with in-house administration arrangements. Over a quarter (29%) of the latter group had never done so.

As set out in Table 4.3.1, schemes used a range of methods to monitor the performance of their administrators. Administrators typically provided regular reports (87%) and attended regular meetings with the scheme manager/board (85%), and three-quarters (73%) of schemes specified performance metrics in contracts or service level agreements (SLAs).

Provision of independent assurance reports and the application of penalties were less common (33% and 18% respectively). However, all schemes reported that they employed at least one of these approaches to monitor and manage administrator performance.

Table 4.3.1 Monitoring and managing administrator performance

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*195*	*11*	*46*	*94*	*44*
Administrators deliver regular reports to scheme manager and/or board on the service provided	87%	95%	100%	87%	88%	82%
Administrators attend regular meetings with scheme manager and/or board	85%	84%	82%	83%	88%	82%
Performance metrics are set out in contracts or SLAs	73%	78%	91%	85%	57%	89%
Independent auditors review performance of administrators	58%	85%	100%	57%	66%	34%
Administrators provide independent assurance reports	33%	49%	64%	41%	29%	27%
Penalties are applied where contractual terms or service standards are not met	18%	28%	36%	7%	14%	36%
None of these	0%	0%	0%	0%	0%	0%
Don't know	0%	0%	0%	0%	0%	0%
Did not answer question	0%	0%	0%	0%	0%	0%

The proportion of schemes adopting each approach to monitor and manage their administrators differed by scheme type. In particular, 'Other' and Police schemes were more likely to apply penalties if contractual terms or service standards were not met (each 36%). 'Other' schemes were also more likely to use independent auditors to review administrator performance (100%) and to receive independent assurance reports from the administrator (64%).

In comparison to the other scheme types, a lower proportion of Local Government schemes set out performance metrics in contracts or SLAs (57%).

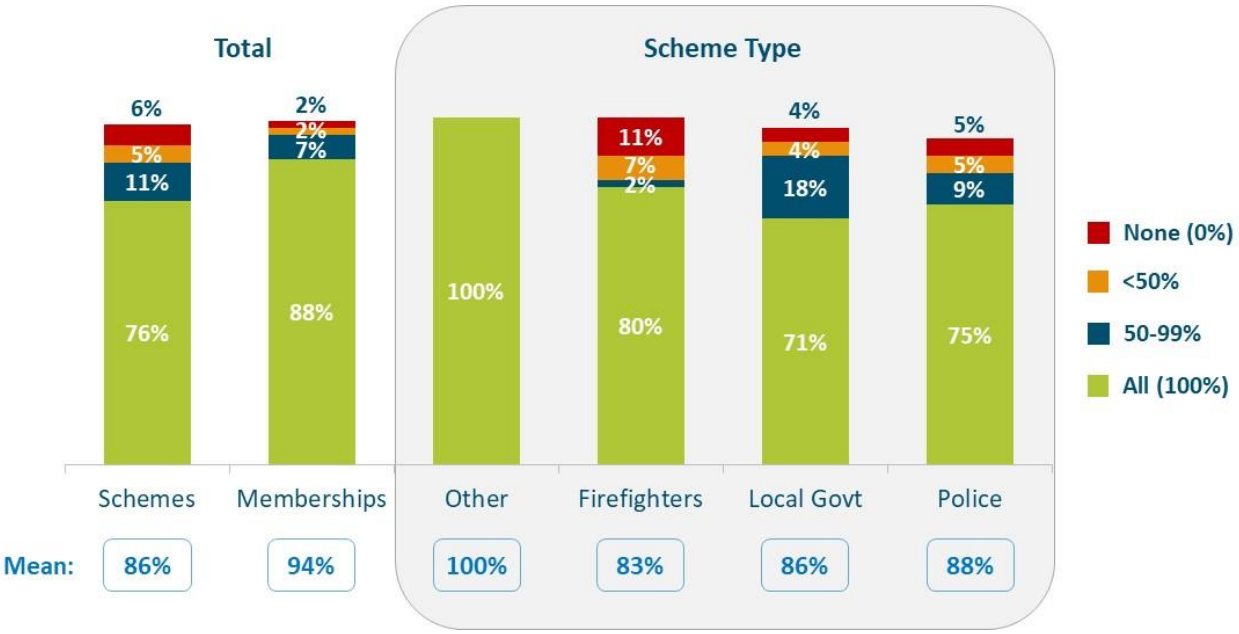
The use of service level agreements was less prevalent where schemes were administered in-house (48%, compared with 90% of those administered by another public body and 96% of those administered by a commercial third party).

While half (50%) of schemes administered by a commercial 3rd party reported that they applied penalties where contractual terms or service standards were

not met, this proportion fell to 4% of those administered by another public body and 8% of those administered in-house.

As shown in Figure 4.3.3, three-quarters of schemes (76%) included administration as a dedicated item on the agenda at every pension board meeting. A further 11% covered it at least half of their board meetings, but 5% did so at fewer than half of their meetings and 6% never included it on the agenda.

Figure 4.3.3 Proportion of pension board meetings held in the last 12 months that had administration as a dedicated item on the agenda



Base: All respondents (Base, Don't know number of board meetings and/or number covering administration, Did not answer question) - Schemes (195, 2%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 0%, 0%), Local Govt (94, 1%, 1%), Police (44, 7%, 0%)

All the 'Other' schemes formally covered administration every time the board met. Firefighters' schemes were most likely to report that administration was never included on the agenda at board meetings (11%).

As set out in Table 4.3.2, the vast majority of schemes had processes in place to monitor administration and record-keeping. Overall, 98% had a process for monitoring the payment of contributions, 94% had a process for resolving contribution payment issues, 92% had a process with the scheme's employer(s) to receive, check and review data, and 91% had a process to monitor records on an ongoing basis to ensure they are accurate and complete.

The proportion of schemes with these in place was generally higher than that seen in 2017. The proportion with processes to monitor the accuracy and completeness of records and to receive, check and review data both increased by 6 percentage points, and the proportion with a process for

resolving contribution payment issues increased by 4 percentage points[11]. There was no change in the proportion of schemes with a process to monitor the payment of contributions.

Table 4.3.2 Administration and record-keeping processes - Time series

Proportion with a process…		Total		Scheme Type			
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
To monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	**2018**	**91%**	**92%**	**91%**	**85%**	**95%**	**89%**
	2017	85%	95%	100%	80%	88%	81%
	2016	89%	91%	91%	88%	90%	86%
With employer(s) to receive, check and review data	**2018**	**92%**	**93%**	**91%**	**87%**	**98%**	**86%**
	2017	86%	96%	100%	78%	92%	77%
	2016	90%	98%	100%	76%	96%	89%
For monitoring the payment of contributions	**2018**	**98%**	**100%**	**100%**	**96%**	**100%**	**95%**
	2017	97%	94%	91%	94%	100%	95%
	2016	95%	94%	91%	88%	100%	94%
For resolving contribution payment issues	**2018**	**94%**	**99%**	**100%**	**85%**	**98%**	**95%**
	2017	90%	92%	91%	84%	94%	86%
	2016	88%	93%	91%	68%	97%	91%

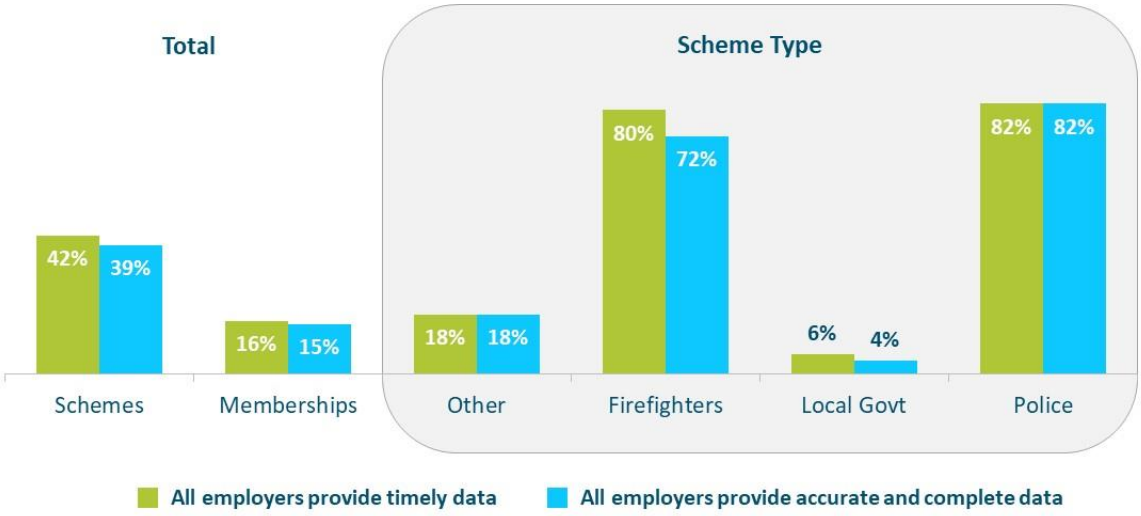
There was relatively little variation in the prevalence of these administration and record-keeping processes by scheme type in the 2018 survey.

Schemes were asked the extent to which the employer(s) provided timely, accurate and complete date. Single employer schemes were asked whether their participating employer always provided timely, accurate and complete data, whereas multi-employer schemes were asked to give the proportion of their employers that always did this. The analysis in Figure 4.3.4 combines the results from both questions.

Four in ten (42%) schemes reported that their employers always provided timely data. A similar proportion (39%) reported that their employers always provided accurate and complete data. However, this was lower among 'Other' (18% for each) and Local Government (6% and 4%) schemes, which are typically multi-employer.

[11] Previously this question asked whether the scheme had "a process in place for resolving contribution payment issues and assessing whether to report payment failures to TPR". The second clause was removed in 2018, which means results are not directly comparable. This may have contributed to the improved performance on this measure.

Figure 4.3.4 Proportion of schemes where all employers always provided timely, accurate and complete data



All respondents (Base, Don't know timely, Did not answer timely, Don't know accurate/complete, Did not answer accurate/complete) - Schemes (195, 5%, 2%, 7%, 2%), Memberships (195, 2%, 0%, 3%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 9%, 4%, 11%, 4%), Local Government (94, 4%, 1%, 7%, 1%), Police (44, 5%, 0%, 5%, 0%)

As shown in Table 4.3.3, on average 87% of scheme employers always provided timely data, and 84% always provided accurate and complete data. The mean proportions of employers that always provided timely and accurate/complete data were highest for Firefighters' schemes (95% and 89%) and Police schemes (92% and 90%). In both these scheme types the schemes tend to be single employer.

Table 4.3.3 Mean proportion of employers that always provided timely, accurate and complete data

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*195*	*11*	*46*	*94*	*44*
Mean % of employers that always provide timely data	87%	85%	86%	95%	81%	92%
Mean % of employers that always provide accurate and complete data	84%	82%	84%	89%	79%	90%

Table 4.3.4 shows that a higher proportion of schemes reported that all their employers always provided timely, accurate and complete data than in 2017 (+5 percentage points for timely data and +9 percentage points for accurate and complete data). It also shows that a higher proportion of Firefighters' and Police schemes said all their employers always provided timely, accurate and complete than in 2017 and a lower proportion of 'Other' and Local Government schemes said all their employers always provided timely data.

There was no change since the 2017 survey in the mean proportion of employers that always provided timely or accurate and complete data, either at the total level or for individual scheme types.

Table 4.3.4 Provision of timely, accurate and complete data by employers – Time series

		Total		Scheme Type			
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
All employers (100%) always provide timely data	**2018**	**42%**	**16%**	**18%**	**80%**	**6%**	**82%**
	2017	37%	23%	27%	57%	11%	72%
Mean % of employers that always provide timely data	**2018**	**87%**	**85%**	**86%**	**95%**	**81%**	**92%**
	2017	89%	87%	88%	94%	84%	96%
All employers (100%) always provide accurate and complete data	**2018**	**39%**	**15%**	**18%**	**72%**	**4%**	**82%**
	2017	30%	15%	18%	49%	7%	60%
Mean % of employers that always provide accurate and complete data	**2018**	**84%**	**82%**	**84%**	**89%**	**79%**	**90%**
	2017	86%	81%	80%	93%	80%	95%

As detailed in Table 4.3.5, the proportions of employers that always provided timely, accurate and complete data were lower for multi-employer schemes than single employer ones. One in ten (12%) multi-employer schemes said their employers always provided timely data compared with nine in ten (90%) single employer schemes. A similar proportion (11%) of multi-employer schemes said their employers always provided accurate and complete data compared with 85% of single employer schemes.

Table 4.3.5 Provision of timely, accurate and complete data by employers – analysis by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
Base: All respondents	*73*	*121*
All employers (100%) always provide timely data	90%	12%
All employers (100%) always provide accurate and complete data	85%	11%

Figure 4.3.5 shows that 88% of multi-employer schemes had a defined escalation process for dealing with employers who did not provide timely or accurate data.

Figure 4.3.5 Proportion of multi-employer schemes with a defined escalation process for dealing with employers who do not provide timely or accurate data[12]

All multi-employer schemes (Base, Don't know, Did not answer) - Schemes (121, 6%, 0%), Memberships (121, 1%, 0%), Other (10, 0%, 0%), Local Government (94, 2%, 0%)

Most multi-employer schemes included a range of actions in this escalation process, with the vast majority chasing in writing (97%), chasing by telephone (93%) and escalating the matter to senior staff (92%).

Two-thirds (67%) assessed whether a breach of the law had occurred, with this more likely among Local Government than 'Other' schemes (78% and 30% respectively). Local Government schemes were also more likely to impose penalties if required (66% compared with 30% of 'Other' schemes).

Table 4.3.6 Actions included in multi-employer schemes' escalation processes

Top Mentions (5%+)	Total		Scheme Type	
	Schemes	Memberships	Other	Local Govt
Base: All multi-employer schemes with a defined escalation process	*107*	*107*	*10*	*85*
Chase in writing	97%	99%	100%	99%
Chase by telephone	93%	98%	100%	95%
Escalate to senior staff	92%	97%	100%	93%
Assess for breach of law	67%	48%	30%	78%
Impose penalty	56%	44%	30%	66%
Manual correction	27%	23%	20%	28%
Remove from scheme	14%	24%	30%	14%

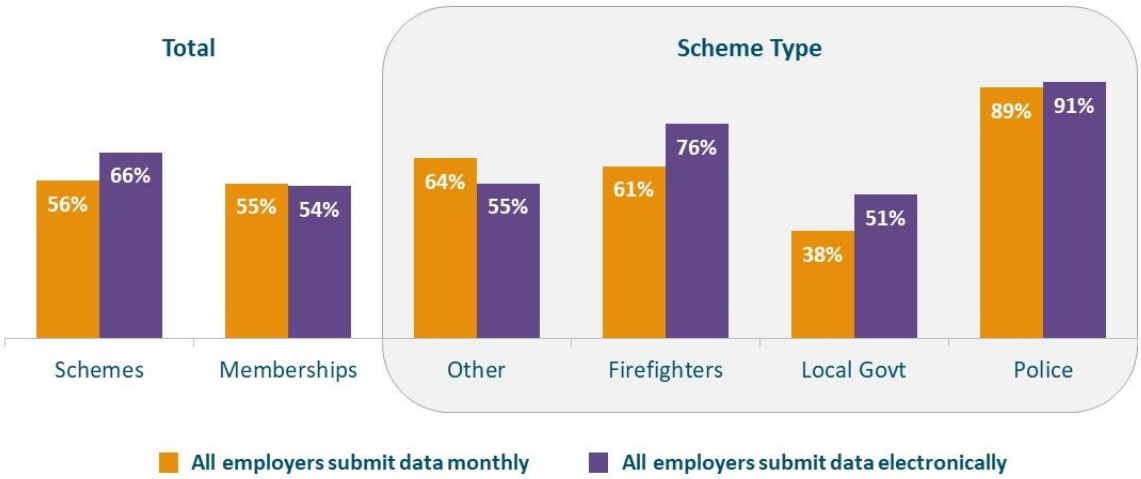
[12] Results for Firefighters' and Police schemes are not shown due to the very low number of multi-employer schemes in these cohorts.

Although a third (33%) of schemes with a defined escalation process did not include assessing for a possible breach of the law in this, the majority of this group (88%) indicated elsewhere in the survey that they had procedures in place to assess and report breaches of the law (see Chapter 4.8).

Schemes were also asked the extent to which the employer(s) submitted data monthly and electronically. Single employer schemes were asked whether their participating employer submitted data monthly and electronically, and multi-employer schemes were asked to give the proportion of their employers that did this. The analysis in Figure 4.3.6 combines the results from both questions.

Over half (56%) of schemes reported that all their employers submitted data monthly and two-thirds (66%) reported that all their employers submitted data electronically. This was most likely to be the case for Police schemes (89% and 91% respectively).

Figure 4.3.6 Proportion of schemes where all employers submitted data monthly and electronically



All respondents (Base, Don't know monthly, Did not answer monthly, Don't know electronically, Did not answer electronically) - Schemes (195, 4%, 2%, 4%, 2%), Memberships (195, 1%, 0%, 1%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 9%, 4%, 9%, 4%), Local Government (94, 3%, 1%, 3%, 1%), Police (44, 2%, 0%, 2%, 0%)

Table 4.3.7 shows that, on average, 77% of scheme employers submitted monthly data and 88% submitted data electronically. For both monthly and electronic data, the mean was lower for Firefighters' (70% and 88%) and Local Government (72% and 83%) schemes.

Table 4.3.7 Mean proportion of employers that submitted data monthly and electronically

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*195*	*11*	*46*	*94*	*44*
Mean % of employers that submit data monthly	77%	81%	86%	70%	72%	93%
Mean % of employers that submit data electronically	88%	91%	95%	88%	83%	99%

As with timeliness of data and its accuracy and completeness, these proportions were lower for multi-employer schemes than single employer schemes. Four in ten (44%) multi-employer schemes said all their employers submitted data monthly compared with eight in ten (78%) single employer schemes. Half (51%) of multi-employer schemes said all their employers submitted data electronically compared with nine in ten (92%) single employer schemes.

Table 4.3.8 Submission of monthly and electronic data by employers – analysis by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
Base: All respondents	*73*	*121*
All employers (100%) submit data monthly	78%	44%
All employers (100%) submit data electronically	92%	51%

4.4 Cyber security

The 2018 survey included a number of new questions about schemes' cyber security controls, any cyber breaches or attacks experienced in the previous 12 months and the impact of any such incidents.

Schemes were asked about 14 specific cyber controls and three-quarters (74%) had at least half of these in place, with these schemes together covering 92% of all public service memberships.

No schemes stated that they had none of these controls in place, although 7% either answered "don't know" or did not provide a response.

Table 4.4.1 Proportion of schemes with controls to protect their data and assets from 'cyber risk'

	Total	
	Schemes	Memberships
Base: All respondents	*195*	*195*
Controls restricting access to systems and data	83%	96%
System controls (e.g. firewalls, anti-virus/malware, software updates)	82%	95%
Policies on data access, protection, use and transmission in line with Data Protection legislation and guidance	81%	85%
Policies on the acceptable use of devices, passwords/other authentication and on home/mobile working	80%	96%
Critical systems and data regularly backed up	80%	95%
Cyber risk is on risk register and regularly reviewed	67%	78%
Incident response plan to deal with any incidents which occur	67%	79%
Access to specialist skills and expertise to understand and manage risk	66%	89%
Scheme manager assured themselves of 3rd party providers' controls	66%	61%
Roles and responsibilities on cyber resilience clearly defined and documented	62%	68%
Assessment of vulnerability to a cyber incident of key functions, systems, assets and parties involved in running the scheme	57%	73%
Assessment of likelihood of different types of breaches occurring	49%	66%
Scheme manager receives regular updates on cyber risks, incidents and controls	39%	50%
Pension board receives regular updates on cyber risks, incidents and controls	26%	32%
None of these	0%	0%
Net: At least half of these cyber controls in place (7+)	**74%**	**92%**
Mean number of cyber controls in place	**9.0**	**10.6**
Don't know	6%	1%
Did not answer question	1%	0%

The most common types of cyber protection were controls restricting access to systems and data (83%), system controls such as firewalls, anti-virus products and regular updates of software (82%), policies on data access, protection, use and transmission in line with data protection legislation and guidance (81%), policies on acceptable use of devices, passwords and other authentication, and on home and mobile working (80%), and regular back-ups of critical systems and data (80%).

Comparatively few schemes indicated that the scheme manager or the pension board received regular updates on cyber risks, incidents and controls (39% and 26% respectively).

Table 4.4.2 shows that half (49%) of schemes had experienced some kind of cyber breach or attack in the previous 12 months (covering 42% of memberships). These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (42%). This was the most reported type of cyber breach or attack for all scheme types.

Table 4.4.2 Proportion of schemes experiencing any cyber security breaches or attacks in the last 12 months (including at any outsourced administration provider)

	Total	
	Schemes	Memberships
Base: All respondents	*195*	*195*
Staff receiving fraudulent emails or being directed to fraudulent websites	42%	34%
Attacks that try to take down website or online services	10%	8%
People impersonating scheme in emails or online	9%	11%
Computers becoming infected with other viruses, spyware or malware	5%	2%
Computers becoming infected with ransomware	2%	1%
Unauthorised use of computers, networks or servers by staff, even if accidental	1%	1%
Hacking or attempted hacking of online bank accounts	1%	0%
Unauthorised use or hacking of computers, networks or servers by people outside scheme	0%	0%
Any other types of cyber security breaches or attacks	2%	1%
None of these	41%	55%
Net: Any cyber incidents reported in last 12 months	**49%**	**42%**
Don't know	9%	3%
Did not answer question	1%	0%

Those schemes that had experienced any cyber breaches or attacks in the previous 12 months were asked what, if anything, had happened as a result. Most (85%) reported that there had been no impact but 14% reported a negative impact.

The negative impacts reported tended to be either the scheme's website or online services being taken down or made slower (9%) or temporary loss of access to files or networks (7%).

Table 4.4.3 Impact of cyber security breaches or attacks experienced in the last 12 months

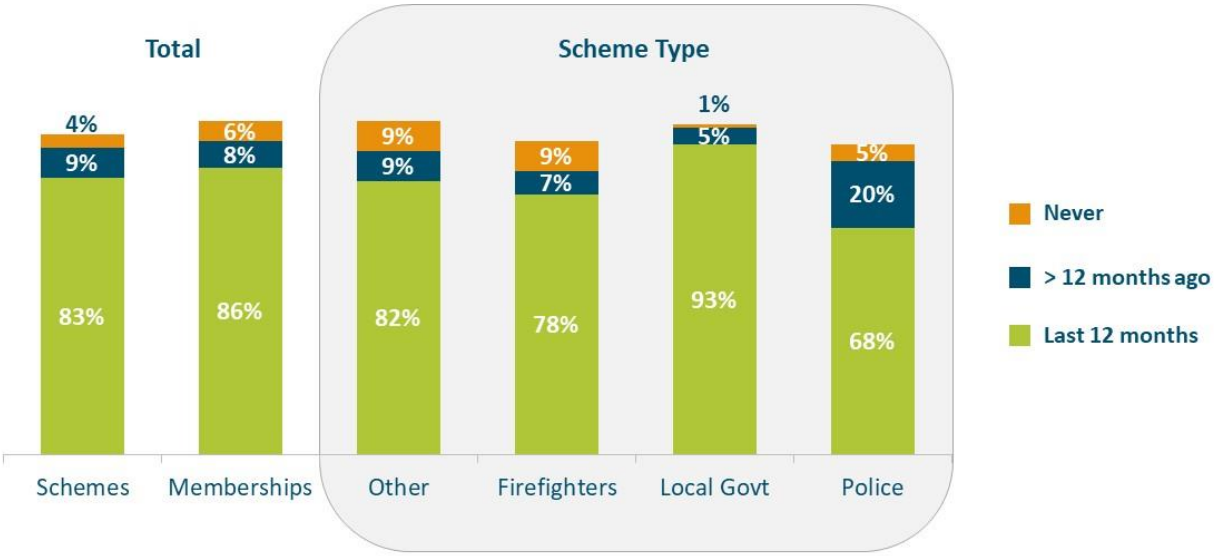
	Total	
	Schemes	Memberships
Base: All experiencing cyber security breaches or attacks	*95*	*95*
Website or online services taken down or made slower	9%	2%
Temporary loss of access to files or networks	7%	4%
Personal data altered, destroyed or taken	1%	1%
Lost access to any third-party services relied on	1%	1%
Software or systems corrupted or damaged	0%	0%
Permanent loss of files (other than personal data)	0%	0%
Lost or stolen assets, trade secrets or intellectual property	0%	0%
Money stolen	0%	0%
None of these	85%	95%
Net: Any impact reported in last 12 months	**14%**	**5%**
Don't know	0%	0%
Did not answer question	1%	0%

4.5 Data reviews

Most schemes had last completed a data review within the previous 12 months (83%), a further 9% had done so more than 12 months previously and 4% reported that they had never completed a data review.

Local Government schemes were most likely to have completed a data review in the previous 12 months (93%) and Police schemes were least likely to have done so (68%). Approaching one in ten 'Other' and Firefighters' schemes (9%) had never completed a data review.

Figure 4.5.1 When last completed a data review



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 7%, 0%), Local Government (94, 1%, 0%), Police (44, 7%, 0%)

The proportion of schemes that had completed a data review in the previous 12 months was higher than in 2017, most notably for Local Government schemes (+19 percentage points). However, the proportion of 'Other' schemes that had done so fell (-18 percentage points).

Table 4.5.1 Proportion of schemes that had completed a data review in last 12 months – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**83%**	**82%**	**78%**	**93%**	**68%**
PSPS Survey 2017	75%	100%	71%	74%	74%
PSPS Survey 2016	79%	100%	68%	83%	77%
PSPS Survey 2015	70%	58%	50%	77%	77%

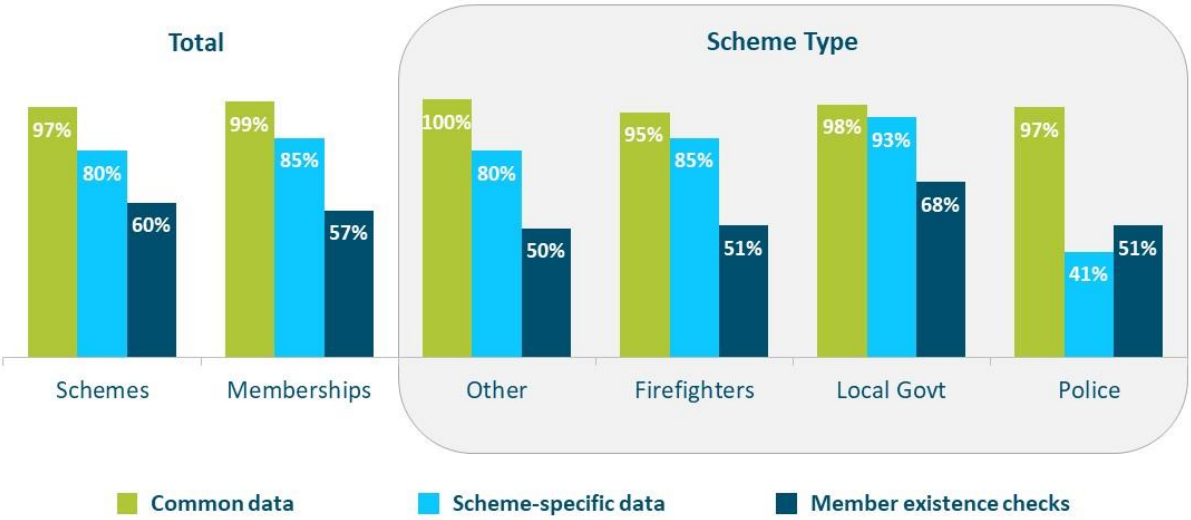
As detailed in Table 4.5.2, 58% of the schemes that had not completed a data review in the previous 12 months indicated that a review was currently underway at the time they completed the survey. Overall, this means that 91% of schemes had either completed a review in the previous 12 months or were in the process of doing one.

Table 4.5.2 Proportion of schemes where a data review was currently underway

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All not completing review in last 12 months	*26*	*2*	*7*	*6*	*11*
Data review currently underway	58%	50%	57%	83%	45%
Base: All respondents	*195*	*11*	*46*	*94*	*44*
Net: Completed data review in last 12 months or review currently underway	**91%**	**91%**	**87%**	**98%**	**80%**

All schemes that had ever completed a data review were asked to specify the types of data looked at in their most recently completed review. Overall, 97% of reviews had looked at common data, with 80% covering scheme-specific data and 60% involving member existence checks.

Figure 4.5.2 Coverage of most recently completed data review



All that have completed a data review (Base, None of these, Don't know, Did not answer question) - Schemes (180, 1%, 1%, 1%), Memberships (180, 0%, 0%, 0%), Other (10, 0%, 0%, 0%), Firefighters (39, 3%, 3%, 0%), Local Government (92, 0%, 1%, 0%), Police (39, 0%, 0%, 3%)

The proportion that had looked at common data was similar across all scheme types (ranging from 95% to 100%), but Police schemes were less likely than other scheme types to have covered scheme-specific data in their most recently completed review (41%).

Schemes that had looked at common data in their most recently completed review were asked whether they had identified any issues or problems and, if so, what action had been taken to address these issues.

Approaching three-quarters (72%) of these schemes identified issues with their common data. However, Police schemes were least likely to have done so (47%).

Most schemes had either put a data improvement plan in place but not yet completed rectification work (40%) or were in the process of developing an improvement plan (23%).

Table 4.5.3 Identifying and addressing issues with common data

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All looking at common data in most recently completed review	*175*	*175*	*10*	*37*	*90*	*38*
Identified issues with common data	**72%**	**69%**	**60%**	**73%**	**82%**	**47%**
An improvement plan has been put in place and rectification work has been **completed**	2%	6%	10%	0%	1%	3%
An improvement plan is in place but rectification work is **not yet complete**	40%	44%	40%	30%	50%	26%
An improvement plan **is in development**	23%	9%	0%	35%	22%	16%
Rectification work has been **undertaken without an improvement plan**	6%	3%	0%	5%	8%	3%
No improvement plan has been developed and no work has been undertaken	1%	0%	0%	0%	1%	0%
Did not identify issues with common data	**27%**	**31%**	**40%**	**27%**	**17%**	**50%**
Don't know if identified issues	1%	0%	0%	0%	1%	3%
Did not answer if identified issues	0%	0%	0%	0%	0%	0%
Don't know action taken	1%	0%	0%	3%	0%	0%
Did not answer action taken	1%	6%	10%	0%	0%	0%

Similarly, those schemes that had looked at scheme-specific data in their most recently completed review were asked whether they had identified any issues or problems and, if so, what action had been taken to address these issues.

80% of schemes reported that they had identified issues with their scheme-specific data. As with common data, Police schemes were least likely to have found issues with their scheme-specific data (56%), although 19% of these schemes answered "don't know" to this question.

Again, rectification work was typically planned or underway, but not yet completed; 42% had put a data improvement plan in place but not yet completed rectification work and 30% were in the process of developing an improvement plan.

Table 4.5.4 Identifying and addressing issues with scheme-specific data

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All looking at scheme-specific data in most recently completed review	*143*	*143*	*8*	*33*	*86*	*16*
Identified issues with scheme-specific data	**80%**	**79%**	**75%**	**79%**	**85%**	**56%**
An improvement plan has been put in place and rectification work has been **completed**	2%	1%	0%	3%	2%	0%
An improvement plan is in place but rectification work is **not yet complete**	42%	55%	63%	30%	48%	31%
An improvement plan **is in development**	30%	20%	13%	39%	29%	25%
Rectification work has been **undertaken without an improvement plan**	4%	3%	0%	3%	6%	0%
No improvement plan has been developed and no work has been undertaken	1%	0%	0%	3%	0%	0%
Did not identify issues with scheme-specific data	**15%**	**20%**	**25%**	**15%**	**13%**	**25%**
Don't know if identified issues	5%	1%	0%	6%	2%	19%
Did not answer if identified issues	0%	0%	0%	0%	0%	0%
Don't know action taken	0%	0%	0%	0%	0%	0%
Did not answer action taken	0%	0%	0%	0%	0%	0%

4.6 Annual benefit statements

On average, 95% of active members had received their annual benefit statement (ABS) by the statutory deadline in 2018. Two-thirds (66%) of schemes reported that they had met this deadline for all their active members.

Figure 4.6.1 Proportion of active members receiving annual benefit statement by statutory deadline in 2018

All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 2%, 0%), Local Government (94, 2%, 0%), Police (44, 9%, 5%)

Around three-quarters of Firefighters' and Police schemes had met the ABS deadline for all their active members in 2018 (78% and 75% respectively). This proportion was lower for 'Other' (55%) and Local Government (56%) schemes, both of which are primarily multi-employer schemes and typically have a greater number of memberships.

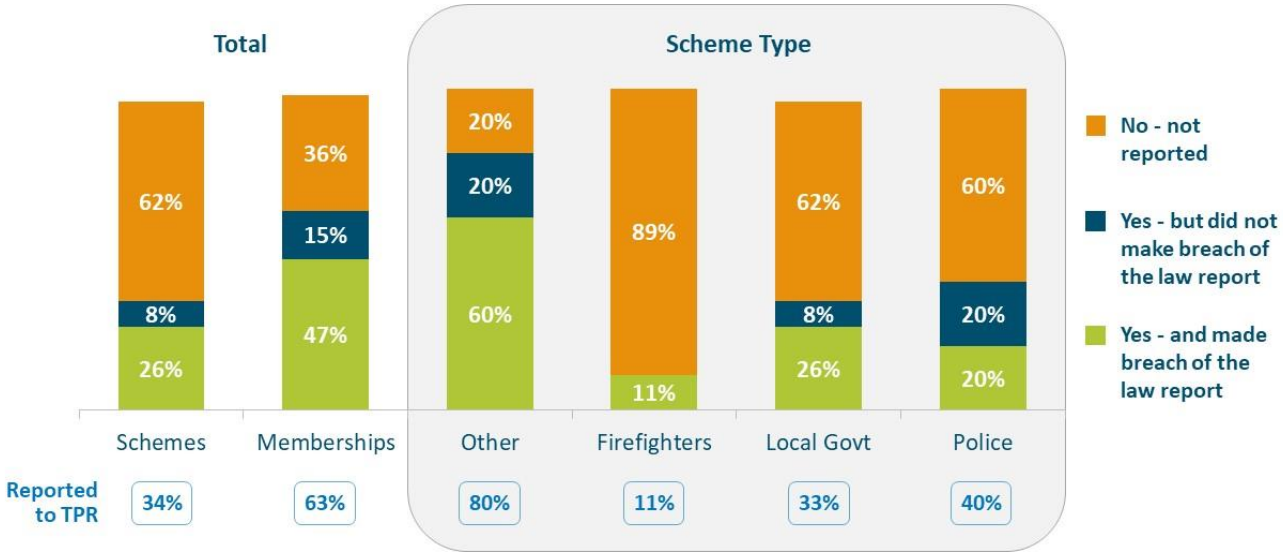
As shown in Table 4.6.1, there was no change since 2017 in the mean percentage of members receiving their ABS by the deadline. However, there was an increase in the proportion of schemes stating that all their active members had received their ABS on time (from 60% in 2017 to 66% in 2018). This improvement was evident for 'Other' and Local Government schemes (+10 and +11 percentage points respectively).

Table 4.6.1 Proportion of active members receiving annual benefit statement by statutory deadline – Time series

		Total schemes	Scheme Type			
			Other	Firefighters	Local Govt	Police
Mean	**2018**	**95%**	**96%**	**97%**	**93%**	**95%**
	2017	93%	91%	93%	92%	97%
	2016	75%	75%	46%	87%	82%
100% received by deadline	**2018**	**66%**	**55%**	**78%**	**56%**	**75%**
	2017	60%	45%	73%	45%	79%
	2016	43%	36%	32%	45%	54%

The schemes that missed the ABS deadline for any of their active members were asked whether they reported this to TPR. A third (34%) had done so, with most of these making a breach of the law report (26%).

Figure 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements



All where deadline was missed for any active members (Base, Don't know, Did not answer question) - Schemes (58, 2%, 2%), Memberships (58, 1%, 1%), Other (5, 0%, 0%), Firefighters (9, 0%, 0%), Local Government (39, 3%, 3%), Police (5, 0%, 0%) – Caution: Low base sizes for individual scheme types

Most 'Other' schemes (80%) reported the missed deadline, with 60% making a breach of the law report. However, the majority of Firefighters' (89%), Local Government (62%) and Police (60%) schemes that missed the deadline did not report it to TPR.

As detailed in Table 4.6.2, there was no change from 2017 in the overall proportion of schemes that reported the missed ABS deadline to TPR. However, there was an increase among 'Other schemes' (+13 percentage points) and a decrease among Firefighters' schemes (-56 percentage points). It should be noted that the 2018 figure for Firefighters' is based on just 9 schemes that had missed the deadline for any of their active members.

Table 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**34%**	**80%**	**11%**	**33%**	**40%**
PSPS Survey 2017	41%	67%	67%	29%	57%

Half (50%) of the schemes that did not report the missed ABS deadline to TPR indicated that this was because it was not material as few statements were affected. A further 22% stated that it was not material as there was a very short delay.

As detailed in Figure 4.6.2, 90% of schemes reported that all the annual benefit statements they sent out to members in 2018 contained all the data required by regulations.

All schemes indicated that at least 70% of the statements they sent out contained all the required data, and the mean was 100%[13].

Figure 4.6.2 Proportion of annual benefit statements sent out in 2018 that contained all the data required by regulations

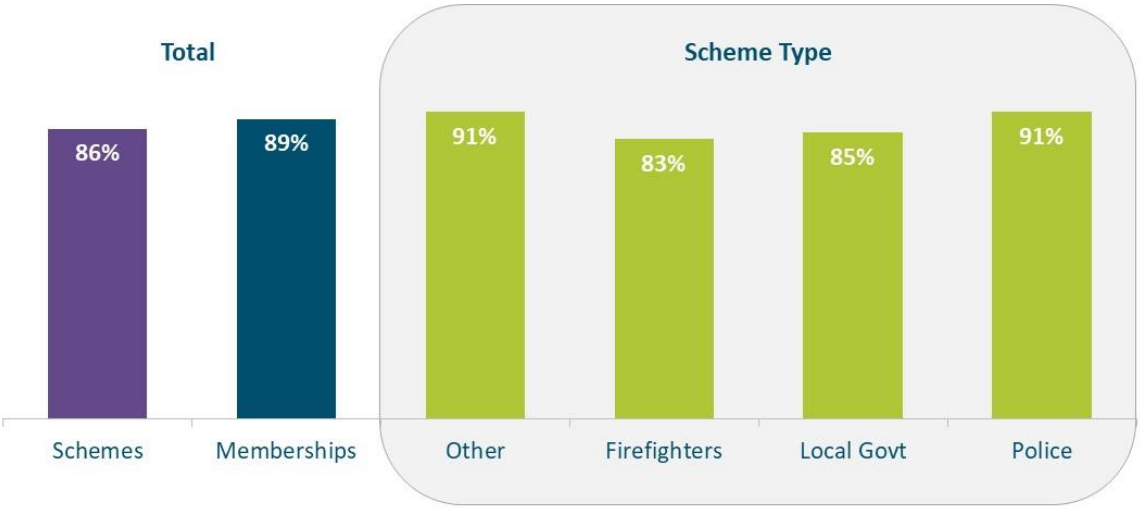
All respondents (Base, Don't know, Did not answer question) - Schemes (195, 4%, 0%), Memberships (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 7%, 0%), Local Government (94, 4%, 0%), Police (44, 2%, 0%)

[13] 99.7% when shown to 1 decimal place.

4.7 Resolving issues

The majority (86%) of schemes had a working definition of what constitutes a complaint. There was little variation by scheme type, although 'Other' and Police schemes were slightly more likely to have a definition (91%) than Firefighters' (83%) or Local Government schemes (85%).

Figure 4.7.1 Proportion of schemes with a working definition of what constitutes a complaint



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 3%, 0%), Memberships (195, 6%, 0%), Other (11, 9%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 2%, 0%), Police (44, 2%, 0%)

Schemes were asked to provide details of the number of complaints they had received in the previous 12 months. This data has been used to estimate the total number of complaints received by public service schemes and show the number of complaints per 100 members, as set out in Table 4.7.1 below.

Table 4.7.1 Estimated total complaints received in last 12 months

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Total memberships	16,882,497	10,011,614	115,841	6,385,338	369,704
Mean number of complaints	61	790	2	20	5
Total complaints (grossed up)	11,052	8,687	116	2,025	224
Share of all memberships	100%	59%	1%	38%	2%
Share of all complaints	100%	79%	1%	18%	2%
Complaints per 100 members	**7**	**9**	**10**	**3**	**6**

Overall, an estimated 11,052 complaints were made to public service schemes in the previous 12 months, equating to 7 complaints per 100 members.

Local government schemes were proportionally least likely to generate complaints, with this group accounting for 38% of all public service memberships but 18% of all complaints. There were an estimated 3 complaints per 100 members for this scheme type. In comparison Police schemes received 6 complaints per 100 members, 'Other' schemes received 9 per 100 members, and Firefighters' schemes received 10 per 100 members.

On average, 43% of complaints had entered the internal dispute resolution (IDR) process. The mean was 60% for Firefighters', 50% for 'Other', 42% for Police and 36% for Local Government schemes. The proportions had not changed since 2017, when the mean for all schemes was 44%.

As detailed in Table 4.7.2, the most common types of complaints received by public service schemes related to eligibility for ill health benefit (39%), disputes or queries about the amount of benefit paid (31%), slow or ineffective communication (29%) and delays to benefit payments (28%).

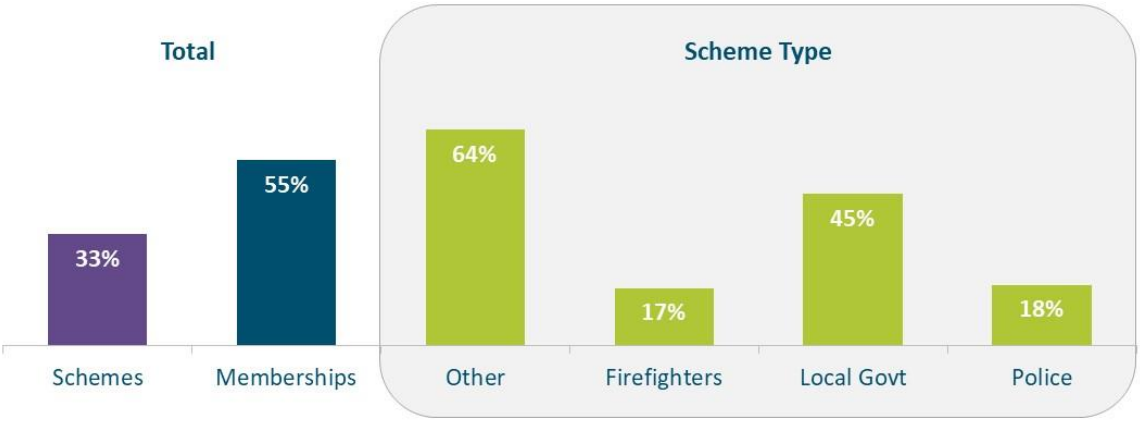
Table 4.7.2 Top types of complaints received

Top Mentions (5%+)	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All that received complaints	*166*	*10*	*29*	*89*	*38*
Eligibility for ill health benefit	39%	30%	28%	58%	5%
Disputes or queries about the amount of benefit paid	31%	40%	28%	29%	34%
Slow or ineffective communication	29%	40%	34%	33%	13%
Delays to benefit payments	28%	30%	14%	40%	11%
Inaccuracies or disputes around pension value or definitions	21%	30%	28%	15%	26%
Delay or refusal of pension transfer	18%	0%	7%	29%	5%
Inaccurate data held and/or statement issued	12%	20%	14%	9%	16%
Pension overpayment and recovery	12%	20%	3%	8%	26%
Don't know	6%	0%	0%	4%	16%
Did not answer question	1%	0%	0%	0%	3%

There was some variation by scheme type in the nature of the complaints received. Police schemes were more likely than other types of scheme to receive complaints related to pension overpayment and recovery (26%). Complaints related to eligibility for ill health benefit were most prevalent among Local Government schemes (58%).

A third (33%) of schemes had carried out satisfaction surveys among their members and beneficiaries. 'Other' and Local Government schemes were most likely to have done so (64% and 45% respectively).

Figure 4.7.2 Proportion of schemes that carry out a satisfaction survey among their members and beneficiaries

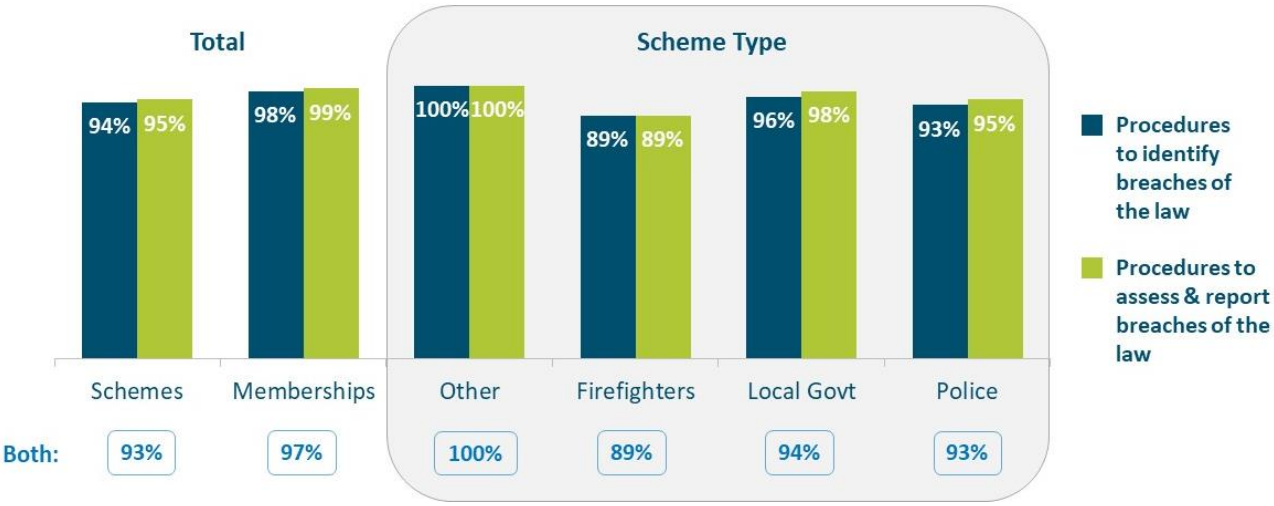


All respondents (Base, Don't know, Did not answer question) - Schemes (195, 5%, 1%), Memberships (195, 1%, 0%), Other (11, 0%, 0%), Firefighters (46, 13%, 0%), Local Government (94, 1%, 0%), Police (44, 7%, 2%)

4.8 Reporting breaches

The vast majority of schemes had procedures in place to identify breaches of the law (94%) and to assess these and report them to TPR if required (95%). All of the 'Other' schemes had both procedures in place, but Firefighters' schemes were least likely to have them (89% for both).

Figure 4.8.1 Proportion of schemes with procedures to identify breaches of the law and assess breaches of the law and report these to TPR if required



All respondents (Base, Don't know if procedures to identify, Did not answer if procedures to identify, Don't know if procedures to report, Did not answer if procedures to report) - Schemes (195, 3%, 0%, 2%, 0%), Memberships (195, 1%, 0%, 1%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 4%, 0%, 2%, 0%), Local Government (94, 1%, 0%, 2%, 0%), Police (44, 5%, 0%, 2%, 0%)

The proportion of schemes with procedures to both identify and assess and report breaches of the law has increased over time (53% in 2015, 84% in 2016, 90% in 2017 and 93% in 2018). All scheme types have seen an increase over this period.

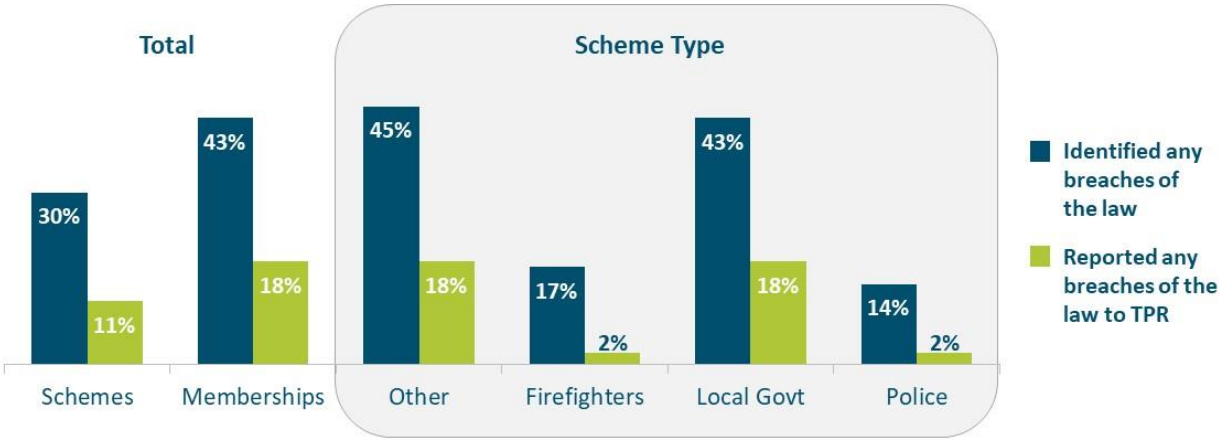
Table 4.8.1 Proportion of schemes with procedures to both identify <u>and</u> assess and report breaches of the law – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**93%**	**100%**	**89%**	**94%**	**93%**
PSPS Survey 2017	90%	100%	84%	95%	84%
PSPS Survey 2016	84%	100%	78%	91%	69%
PSPS Survey 2015	53%	67%	36%	51%	73%

In addition to asking whether schemes had procedures to identify, assess and report breaches of the law, the survey also captured data on the proportion that had done so in the previous 12 months. For these questions, schemes were asked to exclude any breaches relating to their annual benefit statements.

Almost a third (30%) of schemes had identified non-annual benefit statement breaches of the law in the previous 12 months, and 11% had reported breaches to TPR in this period as they thought they were materially significant (i.e. around a third of those identifying breaches reported a breach to TPR).

Figure 4.8.2 Proportion of schemes that had identified any breaches of the law and reported any breaches to TPR in the last 12 months (excluding those relating to annual benefit statements)



All respondents (Base, Don't know if identified any breaches, Did not answer if identified, Don't know if reported, Did not answer if reported) - Schemes (195, 4%, 1%, 0%, 1%), Memberships (195, 1%, 0%, 0%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (46, 0%, 0%, 0%, 0%), Local Government (94, 1%, 0%, 0%, 0%), Police (44, 16%, 2%, 0%, 2%)

The proportion identifying breaches in the previous 12 months was highest for 'Other' and Local Government schemes (45% and 43% respectively), and these scheme types were also most likely to have reported breaches to TPR (18% in each case). Not only were Firefighters' and Police schemes less likely to have identified breaches, but they were also proportionally less likely to have reported these (2% in each case).

Larger schemes were more likely to have identified non-ABS breaches than smaller schemes; 49% of those with over 30,000 memberships had done so in the previous 12 months, compared with 25% of those with 5,001-30,000 memberships and 15% of those with 5,000 or fewer memberships. The proportion reporting breaches to TPR followed a similar pattern with 21% of those with over 30,000 memberships reporting a breach, compared with 7% of those with 5,001 to 30,000 memberships and 3% of those with 5,000 or fewer memberships.

As shown in Table 4.8.2, where breaches were identified they were most commonly attributed to the scheme's employers. Half (52%) of those identifying breaches stated that these were caused by late or non-payment of contributions by the employer(s), and a third (34%) cited failure of the employer(s) to provide timely, accurate or complete data.

Table 4.8.2 Causes of breaches identified (excluding those relating to annual benefit statements)

	Total	
	Schemes	Memberships
Base: All identifying breaches of the law (not related to ABS)	*59*	*59*
Late or non-payment of contributions by the employer(s)	52%	50%
Failure of the employer(s) to provide timely, accurate or complete data	34%	29%
Management of transactions (e.g. errors or delays in payments of benefits)	25%	35%
Failure to maintain records or rectify errors	24%	19%
Systems or process failure	19%	7%
Other employer-related issues	12%	4%
Lack of knowledge and understanding	2%	1%
Other	18%	31%
Don’t know	0%	0%
Did not answer question	0%	0%

4.9 Addressing governance and administration issues

All schemes were asked to identify the top three barriers to improving their scheme governance and administration over the next 12 months. The most widely mentioned were the complexity of the scheme (70%), lack of resources or time (47%), the volume of changes required to comply with legislation (45%) and the recruitment, training and retention of staff and knowledge (39%).

Table 4.9.1 Barriers to improving governance and administration over the next 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*11*	*46*	*94*	*44*
Complexity of the scheme	70%	82%	83%	60%	75%
Lack of resources or time	47%	45%	54%	47%	41%
The volume of changes that are required to comply with legislation	45%	27%	46%	43%	55%
Recruitment, training and retention of staff and knowledge	39%	9%	37%	49%	25%
Employer compliance	28%	18%	0%	56%	2%
Issues with systems (IT, payroll, administration systems, etc.)	21%	45%	26%	19%	14%
Lack of knowledge, effectiveness or leadership among key personnel	4%	0%	4%	2%	9%
Poor communications between key personnel	2%	0%	0%	2%	2%
Other barriers	6%	27%	2%	6%	5%
There are no barriers	3%	9%	2%	1%	5%
Don't know	1%	0%	0%	0%	2%
Did not answer question	0%	0%	0%	0%	0%

Complexity of the scheme was the most commonly identified barrier for all scheme types. Local Government schemes were more likely than other scheme types to highlight employer compliance (56%).

Overall, 3% of schemes indicated there were no barriers to improving their governance and administration (a drop of 7 percentage points from 2017), with this rising to 9% for 'Other' schemes.

All schemes were asked to what they would attribute any improvements made to their governance and administration in the last 12 months.

A variety of improvement drivers were identified, but the major ones were better understanding of the underlying legislation and standards expected by TPR (67%) and better understanding of the risks facing the scheme (63%). A further 45% attributed this to improved engagement by TPR.

This pattern was similar for each scheme type, although improved engagement by TPR was more likely to be mentioned by Police and 'Other' schemes (59% and 55% respectively).

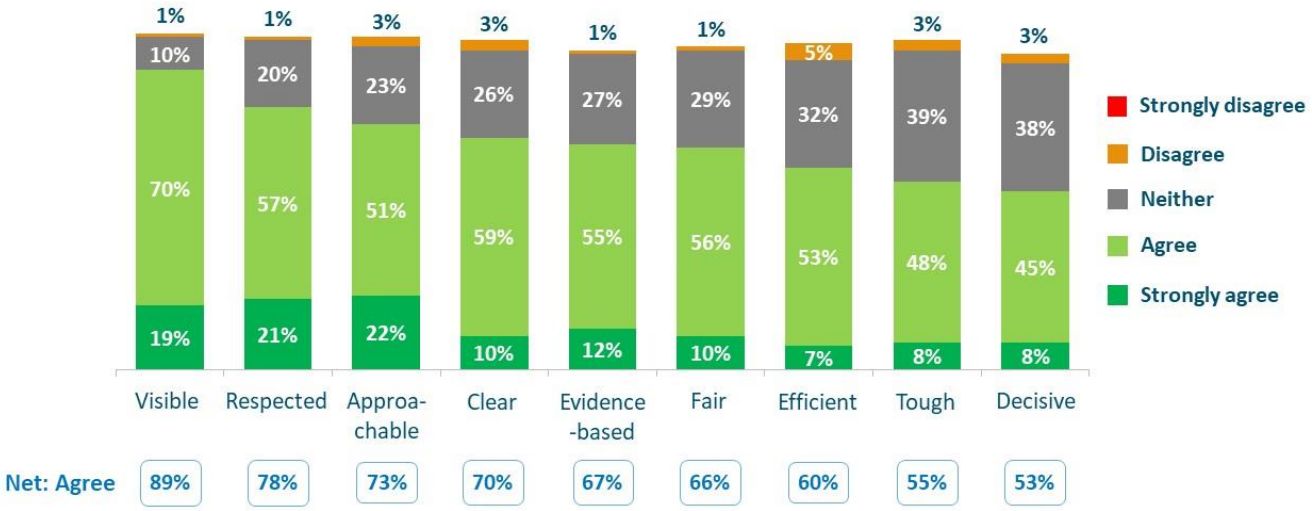
Table 4.9.2 Drivers of improvements to governance and administration in the last 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*195*	*11*	*46*	*94*	*44*
Improved understanding of underlying legislation and standards expected by TPR	67%	55%	67%	67%	68%
Improved understanding of the risks facing the scheme	63%	36%	67%	67%	55%
Improved engagement by TPR	45%	55%	39%	40%	59%
Pension board action	39%	27%	39%	45%	30%
Resources increased or redeployed to address risks	37%	36%	24%	48%	27%
Administrator action	32%	36%	26%	39%	20%
Scheme manager action	30%	45%	33%	35%	11%
Other	9%	0%	11%	10%	9%
No improvements in the last 12 months	3%	0%	7%	2%	2%
Don't know	4%	0%	7%	2%	11%
Did not answer question	0%	0%	0%	0%	0%

4.10 Perceptions of TPR

When asked for their perceptions of TPR, schemes were most likely to agree that the organisation is visible and respected (89% and 78% respectively) and least likely to agree that it is tough and decisive (55% and 53% respectively).

Figure 4.10.1 Perceptions of TPR



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 0-6%, 0-1%)

Few schemes actively disagreed with each of the descriptors of TPR, with those that did not agree typically indicating that they neither agreed nor disagreed with each one. 'Other' schemes generally had the most positive perception of TPR although they were comparatively less likely to view TPR as tough (36%, compared with over 50% for all other scheme types).

There were increases since 2017 in the proportion seeing TPR as tough (+8 percentage points), evidence-based (+7 percentage points) and visible (+5 percentage points). However, there were decreases in the proportion seeing TPR as respected (-6 percentage points) and fair (-5 percentage points).

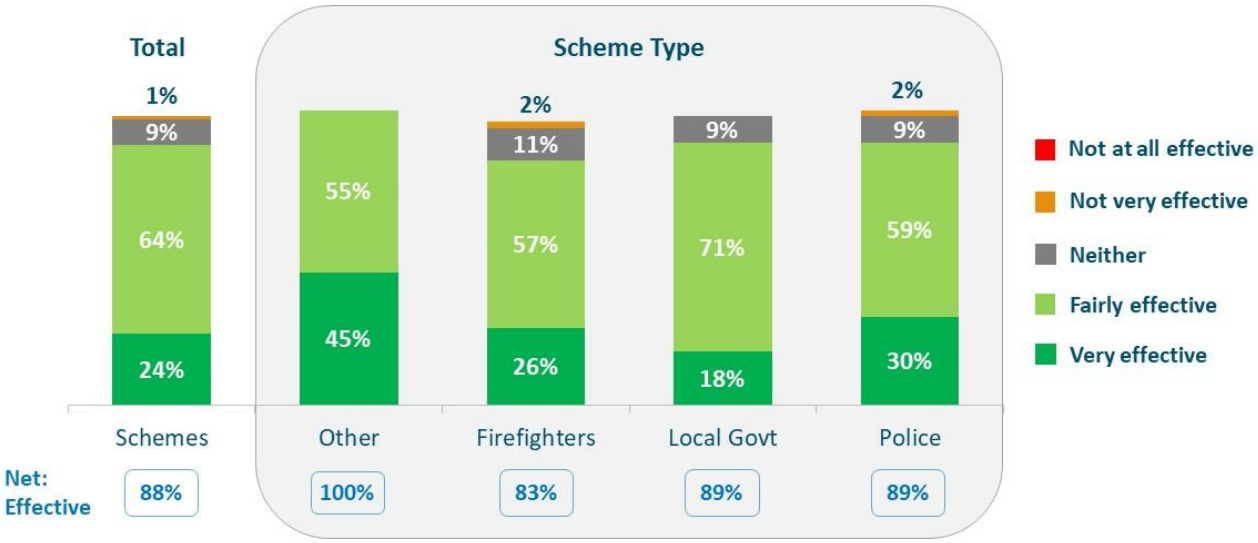
Table 4.10.1 Proportion of schemes agreeing with descriptors of TPR – Time series

	Visible	Respected	Approachable	Clear	Evidence -based
PSPS Survey 2018	**89%**	**78%**	**73%**	**70%**	**67%**
PSPS Survey 2017	84%	84%	73%	73%	60%

	Fair	Efficient	Tough	Decisive
PSPS Survey 2018	**66%**	**60%**	**55%**	**53%**
PSPS Survey 2017	71%	64%	47%	50%

Schemes were also asked how effective they believed TPR to be at improving standards of governance and administration in public service pension schemes. Overall, 88% judged TPR to be effective, with a quarter (24%) describing it as very effective.

Figure 4.10.2 Overall perception of TPR's effectiveness



All respondents (Base, Don't know, Did not answer question) - Schemes (195, 2%, 0%), Other (11, 0%, 0%), Firefighters (46, 4%, 0%), Local Government (94, 2%, 0%), Police (44, 0%, 0%)

'Other' schemes were most positive, with 45% rating TPR as very effective (and all believing it to be at least fairly effective).

There was little change in perceptions of TPR's effectiveness since 2017, although the proportion of Firefighters' schemes describing TPR as effective fell (from 92% to 83%).

Table 4.10.2 Proportion of schemes rating TPR as very or fairly effective – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2018	**88%**	**100%**	**83%**	**89%**	**89%**
PSPS Survey 2017	91%	100%	92%	90%	91%
PSPS Survey 2016	82%	82%	82%	85%	74%

Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pension Board**
Date:	**03 October 2019**
Subject:	**2019 Valuation Update Report**

Summary:

The Fund's Actuary, Hymans Robertson, will present the draft whole Fund results of the 2019 triennial valuation to the Board.

Recommendation(s):

That the Board note the report and approve the draft results.

Background

1. As part of the Local Government Pension Scheme (LGPS), the Lincolnshire Pension Fund is required to undertake a valuation of the Fund's assets and liabilities every three years – this is called the Triennial Valuation. The purpose of the valuation is to understand the overall funding level of the Pension Fund (i.e. does it have enough assets to meet its liabilities), to understand the individual funding levels of each employer and to set the contribution rates for all the employers for the next three year period.

2. The Committee approved the process for the Valuation at their March 2019 meeting, and approved the assumptions to be used in the Valuation process at the July meeting.

3. The Fund's appointed Actuary, Hymans Robertson, received the membership and cashflow data from the Fund as at 31st March 2019, and will present the draft whole Fund results today.

4. Once finalised, individual employer results will be shared with each employer in the Fund. This will be accompanied by the draft Funding Strategy Statement (FSS), presented at agenda item 14, for consultation. This is expected to be in mid-November.

5. To assist employers understanding of their valuation results, two days of employer surgeries will be held at County Offices. These days will consist of a presentation from the Actuary on each day and bookable appointments with the Fund Actuary and the Head of Pensions.

6. Employers will be required to complete a declaration, agreeing the primary and secondary contribution rates, to be returned in January 2020.

7. The final Valuation report, including the rates and adjustments certificate which sets out employers' contribution rates for the three year period to March '23, will be brought back to this Committee for final approval in March 2020.

Conclusion

8. The Fund's Actuary will present the draft 2019 Valuation results at a whole Fund level to the Board. Once finalised, the individual employer results will be shared, alongside the FSS for consultation.

9. The final Valuation report, including the rates and adjustments certificate which sets out employers' contribution rates for the three year period to March '23, will be brought back to the Pensions Committee for final approval, and to the Board for information, in March 2020.

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 Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk .

Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

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

Report to:	**Lincolnshire Pension Board**
Date:	**03 October 2019**
Subject:	**Draft Funding Strategy Statement**

Summary:

This paper brings the draft Funding Strategy Statement (FSS) to the Board for information. This statement sets out how the Pension Fund aims to become fully funded over the long term, whilst considering affordability, transparency, stability and prudence.

The FSS will be sent to all employers in the Fund with their draft results in November, for consultation, before being brought back to the Pensions Committee for final approval in March.

Recommendation(s):

That the Board note the report and consider the draft Funding Strategy Statement.

Background

1. The Funding Strategy Statement (FSS) (draft attached as Appendix A) is a summary of the Pension Fund's approach to funding its liabilities. It is required to be reviewed at least every three years, alongside the triennial valuation.

2. As employees contributions are set by the Government, employers must pay the balance of any cost in delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded, and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities. The final agreed contribution rates for employers are shown in appendix B.

3. The purpose of the FSS, as defined by the Ministry of Housing, Communities and Local Government (MHCLG), is:

   - to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;

- to support the regulatory framework to maintain as **nearly constant employer contribution rates as possible**; and

- to take a **prudent longer-term view** of funding those liabilities.

4. The aim of this funding policy is:

   - to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;

   - to ensure that employer contribution rates are reasonably stable where appropriate;

   - to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);

   - to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

   - to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

5. A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

   - What is a suitably (but not overly) prudent funding target?

   - How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

   - What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

6. The FSS also includes mechanisms for dealing with employers ceasing, ill-health retirements and early retirement costs.

7. The key risks, around financial, demographic and governance issues, and the controls in place are detailed in appendix C of the FSS.

8. The FSS should to be read alongside the Triennial Valuation Report, the Investment Strategy Statement and the Governance Compliance Statement to provide a full overview of the Fund's governance structure.

9. As the Board are aware, there are some outstanding issues that require clarification/agreement before the FSS can be finalised. It is expected that further information will be available before the document is sent to employers in November. The key areas are highlighted in yellow and cover the subjects below:

   - the McCloud court case and its potential impact on the LGPS benefits structure;
   - the LGPS Valuation cycle;
   - the position of higher education establishments within the Regulations;
   - the Fund's approach to ill health insurance; and
   - those areas requiring review once draft individual results are available.

10. The key changes to the document since the last version updated in 2018 are shown below:

   - Additional wording to cover new 'Exit credits' legislation (throughout);
   - Tidying up of actuarial terminology and additional explanation of Hymans Economic Scenario Service model (throughout and appendix E);
   - Dealing with McCloud/cost cap benefit uncertainty (Section 2.6 and Section 3.3 note j);
   - Noting the Valuation cycle consultation and the Fund's policy on interim assessments (Section 2.7);
   - Tidying up the wording for the approach for new academies joining the Fund or moving to/from a Multi-Academy Trust (Section 3.3 note g); and
   - Extended wording to cover possible employer post cessation agreements (Section 3.3 note j).

11. The FSS will be sent to all employers in the Fund for consultation with their draft valuation results. This will allow them with an opportunity to raise any questions or comments ahead of this being brought back to the Pensions Committee for final approval in March.

Conclusion

12. The Funding Strategy Statement has been reviewed as part of the 2019 Triennial Valuation process, and has been updated to take account of the strategy used to finalise employer contribution rates. The FSS will be sent to all employers in the Fund with their draft results in November, for consultation, before being brought back to the Pensions Committee for final approval.

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	Draft Funding Strategy Statement 2019

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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

Lincolnshire Pension Fund

Funding Strategy Statement

September 2019

Contents

Funding Strategy Statement

Appendices

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Lincolnshire Pension Fund ("the Fund"), which is administered by Lincolnshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers, investment adviser and approval by the Pensions Committee. It is effective from post consultation and final approval date.

1.2 What is the Lincolnshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Lincolnshire Pension Fund, in effect the LGPS for the Lincolnshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates currently for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's discretionary policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Jo Ray, Head of Pensions, in the first instance at e-mail address jo.ray@lincolnshire.gov.uk or on telephone number 01522 553656.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in **3.7** and **3.8**.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from McCloud court case and its potential impact on the LGPS Benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make no allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation.

The Fund has taken the following action:

TBC

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority, reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies				Community Admission Bodies and Designating Employers		Transferee Admission Bodies*	Designating Bodies
Sub-type	**Local Authorities, Police and Crime Commissioner**	**Other Scheduled Bodies**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**	**Internal Drainage Boards, Parish and Town Councils**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)				Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)	Ongoing, assumes long – term Fund participation (see Appendix E)
Primary rate approach	(see Appendix D – D.2)							
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	15 years	20 years	Outstanding term, subject to a maximum of 15 years	Outstanding term, subject to a maximum of 15 years	Outstanding contract term, subject to a maximum of 15 years	20 years
Secondary rate – Note (d)	Monetary amount (other than maintained schools where % of payroll)	% of payroll	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount or % of payroll where pooled
Treatment of surplus	Covered by stabilisation	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority					Preferred approach: contributions kept at	Preferred approach:

Type of employer	Scheduled Bodies				Community Admission Bodies and Designating Employers		Transferee Admission Bodies*	Designating Bodies
	arrangement						Primary rate. However, reductions may be permitted by the Administering Authority to reduce the surplus over the remaining contract term	contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority
Likelihood of achieving target – Note (e)	66%	70%	75%	75%	75%	75%	75%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Particularly reviewed in last 3 years of contract	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations
New employer	n/a	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)	n/a
Cessation of	Cessation is assumed not to be generally possible, as				Can be ceased subject to		Participation is	Can be ceased

Type of employer	Scheduled Bodies	Community Admission Bodies and Designating Employers	Transferee Admission Bodies*	Designating Bodies
participation: exit debt/credit payable	Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).	terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).	assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis would apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details.	subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see Note (j)

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the standard stabilisation arrangements that will apply for employers are as follows. Other stabilisation arrangements may, on occasion, be allowed if the actuary considers them to be prudent.

Type of employer	Local Authority Council	Police and Crime Commissioner Pool
Stabilisation Mechanism	Fixed % of pay plus increasing monetary amount	Fixed % of pay plus increasing monetary amount
Maximum contribution increase per year	+1% of pay	+1% of pay
Maximum contribution decrease per year	-1% of pay	-1% of pay

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer, covering the period until the next formal valuation, will normally be set as a monetary amount. However, the Administering Authority reserves the right to amend these rates between formal valuations.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;

- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis, or other basis agreed with the ceding employer. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk to other employers in the Fund of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor may pay the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer. The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will

make no allowance for the potential benefit changes.

OR

apply a [x%] loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

OR

make adjustments to the liability valuation, at individual member level, of the post 2014 benefit accrual, as an estimate of the possible impact of resulting benefit changes.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation. For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and Secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall

identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- Designating Bodies e.g. Town and Parish Councils (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service).
- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.
- Academies will be regarded as separate employers in their own right and will not be pooled with other employers in the Fund, the only exception being when the Academy is part of a Multi Academy Trust (MAT).

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate. As at the 2019 valuation, separate pools were operated for:-

- Lincolnshire County Council;
- Police and Crime Commissioner for Lincolnshire;
- Lindsey Marsh Internal Drainage Board;
- Parish and Town Councils;
- The following Multi Academy Trusts:-
    - David Ross Education Trust
    - Boston Witham Academies Trust
    - Phoenix Family of Schools
    - Priory Federation of Academies
    - Tall Oaks Academy Trust
    - West Grantham Federation.
    - CIT Academies
    - Horncastle Education Trust

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

It is generally expected that such strain costs are paid immediately, however, in exceptional circumstances and with the agreement of the Administering Authority, the payment may be spread.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general, an employer ceasing in the Fund due to the departure of the last active member will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the quarterly Pensions Committee meetings, and these papers are public documents that can be viewed on the Administering Authorities website.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in February 2017 for comment;

b) Comments were requested within 4 weeks, and answers provided;

c) There was an Employers Forum on 23 March 2017 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and approved at the Pensions Committee meeting on 8 March 2017, then published before the month end.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the shared website, at www.wypf.org.uk;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to the Pension Board;

A full copy included in the annual report and accounts of the Fund;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the shared website at www.wypf.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- prepare and maintain a FSS and an ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, and submit accurate data submissions promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-

Risk	Summary of Control Mechanisms
	serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	TBC

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, monetary amounts to be continued to be paid rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f)

Risk	Summary of Control Mechanisms
	to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular

Risk	Summary of Control Mechanisms
	intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
- at the end of the determined time horizon (see 3.3 Note (c) for further details)
- with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this;

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

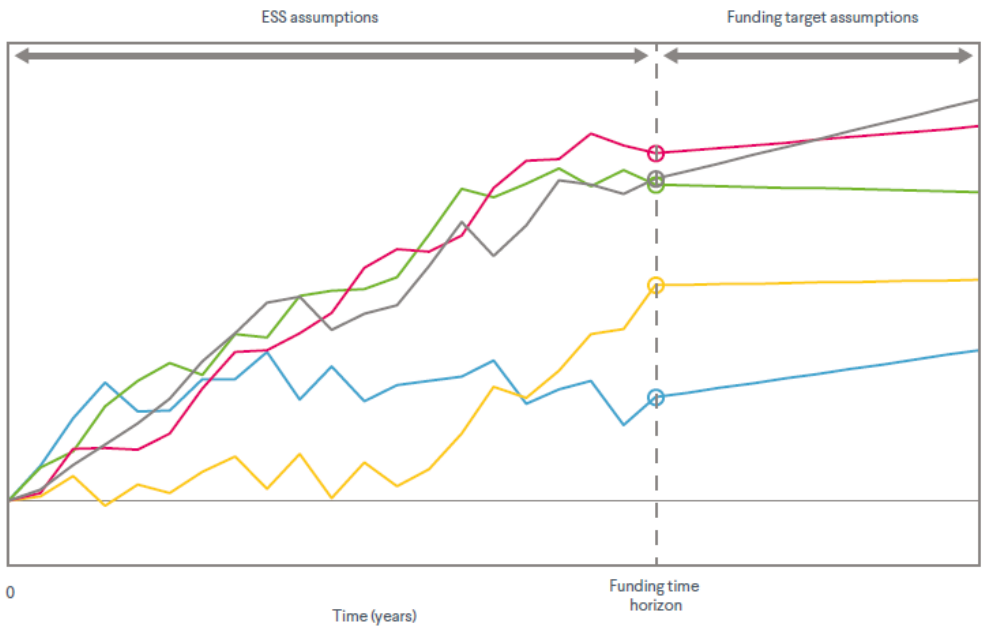
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2024, followed by

2. retail prices index (RPI) less 0.5% p.a. thereafter.

This gives a single "blended" assumption of RPI less 0.7% p.a. This is a minor change from the previous valuation, which assumed a blended assumption of RPI less 0.6% per annum. The change has led to a very small increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an

	Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers

too.

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