

## LINCOLNSHIRE COUNTY COUNCIL

### ANNUAL REPORT OF THE LGPS LOCAL PENSION BOARD – 2015/2016

#### 1. INTRODUCTION

- 1.1 I am pleased to present the first report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2015/2016.
- 1.2 Pension Boards were introduced in to the Local Government Pension Scheme (LGPS) from April 2015 under the Public Sector Pensions Act 2013 with the responsibility to assist administering authorities, in particular pension managers, and to secure compliance with the LGPS regulations.
- 1.3 The Lincolnshire Local Pension Board was established by the Administering Authority in June 2015 and operates independently of the Pensions Committee.

#### 2. PURPOSE

- 2.1 The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:
  - a) Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme.
  - b) Securing compliance with the requirements imposed by the Pension Regulator (tPR) in relation to the Scheme.
  - c) Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to tPR and to the Scheme Manager.
  - d) Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.
  - e) Such other matters as the Scheme Regulations may specify.
- 2.2 Further detailed information on the Board's functions is set out in the Terms of Reference.

#### 3. CONSTITUTION AND MEMBERSHIP

- 3.1 The membership of the Board during the period was as follows:

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

**2 Employer Representatives** – Councillor Mark Jones (until 6 January 2016); replaced by Councillor Mark Whittington and Kirsty McGauley (both voting)

**2 Member Representatives** – David Vickers and Ian Crowther (both voting)

- 3.2 Four meetings were held within the period – 20 July, 30 July, 7 October and 2 December, 2015. The Committee also met on 15 April 2016 because the final meeting of the year scheduled in March had to be re-arranged.
- 3.3 The meeting on 20 July was devoted to a full day’s training covering the LGPS, Lincolnshire Fund specifics, the role of the Pension Board, knowledge and skills, role of advisers, policies, internal and external investments, safeguarding the fund’s assets, performance measurement, corporate governance, the Pensions Team and pensions administration. There was another training day in January 2016 with a specific emphasis on the actuarial valuation due at the 31 March 2016 and LGPS asset pooling. In addition, some members of the Board attended the LGA Pension Fundamentals training seminars.
- 3.4 At the meeting on 30 July, the Board agreed a programme of work for the year.

#### **4. THE WORK PROGRAMME**

- 4.1 At the meeting in October, the Board considered a report which demonstrated Lincolnshire’s compliance to a Code of Practice produced by tPR.
- 4.2 The Board considered the eleven elements in detail, namely:
- a) Reporting duties
  - b) Knowledge and understanding
  - c) Conflicts of interest
  - d) Publishing information about schemes
  - e) Managing risk and internal controls
  - f) Maintaining accurate member data
  - g) Maintaining contributions
  - h) Providing information to members and others
  - i) Internal dispute resolution
  - j) Reporting breaches of the law
  - k) Scheme advisory board
- 4.3 A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant with 71 green or items not yet relevant. There were 17 partly compliant and 8 where further information was required. There were 3 reds all of which were “work in progress” and not critical. Given the

recent appointment of West Yorkshire Pension Fund (WYPF) as the new Pensions Administrator to the Scheme and LCC's decision to appoint Serco for a range of "back office" support functions, the Board considered that the compliance to the tPR's Code was very good. Indeed, at the meeting in April 2016, the Board received a further report and the position had improved with 84 green or not yet relevant. There were 14 partly compliant and 1 red which is work in progress.

- 4.4 At its December meeting, the Board received a presentation from a representative of the WYPF on the pensions administration service. The Board noted that there had been some teething problems with the Fund's largest employer, LCC, which had arisen largely as a result of the introduction of a new accounting system. There were some failures against the pensions administration performance targets but this was largely as a consequence of the transition. Of particular concern to the Board was the delay in the payment of the monthly employer and employee contributions by the due date in the early months of the financial year but tPR was advised at the time. The contributions are now being paid on time. The Board noted that 95% of the benefits statements had been sent to members by tPR's revised deadline of 30 November 2015. In addition, there were still issues over the supply of data by the Council's contractor.
- 4.5 Considering the obstacles and problems faced by WYPF, the Board concluded that the administration was sound and more importantly would improve. Despite certain teething problems, it was felt that WYPF had been the correct choice for LCC. The Board also noted that the partnership between LCC and WYPF was developing well.
- 4.6 At the final meeting of the year, the Board considered several issues:
  - a) Recent reports from both internal and external audit on pension related issues
  - b) Communications
  - c) Update on administration and complaints
- 4.7 The Board considered a report on the latest internal and external audit reports for the Lincolnshire Pension Fund and details of the audit process. The Pension Fund is managed within a strong control environment and is audited regularly by both the Council's internal audit team and the external auditors. Any issues raised by the auditors were considered and responded to by management, and where necessary, an action plan was put in place to improve controls. The external auditor provided an unqualified opinion on the 2014/2015 pension statements.
- 4.8 The Board received a comprehensive presentation on how the communication to members and other stakeholders was managed by the Pension Fund. After various questions, the Board concluded that the communication to both members and employers is good.

- 4.9 Finally, the Board received a further update on current pension administration issues including complaints. It was noted that some cases have again exceeded the target days as to some extent expected, primarily as a result of the continued ripple effect of the new scheme regulations, particularly where cases have been stockpiled awaiting the Government Actuaries Department's (GAD) Guidance. In the context of the various on-going issues with LCC's back office provider, to have only eight complaints was considered to be good.
- 4.10 The Board has already considered its work programme for the 2016/2017 year – specific areas agreed so far are the Report & Accounts, investment pooling, the 2016 valuation results and a further review of compliance with tPR's Code.

## **5. CONCLUSION**

- 5.1 This is the first report of the Board. Despite the change of Administrator and the issues arising from LCC's decision to appoint Serco, I consider the governance and administration of the Scheme to be sound. I am particularly impressed with Lincolnshire's compliance to the vast majority of tPR's Code of Practice. Both internal and external audit have confirmed that the Pension Fund is managed within a strong control environment. Communications with members and employers is also good. There is always scope for improvement and I am confident that the governance and administration will be even better in 2016/2017.
- 5.2 I would like to express my thanks to Jo Ray, Pension Fund Manager, her Team and the staff of the WYPF for the huge amount of work undertaken during the year, some in difficult circumstances because of the dependency on the Council's back office provider. Finally, I should like to thank the four Board Members for their considerable input and support during the year.

**ROGER BUTTERY**  
**CHAIR**  
**APRIL 2016**