



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.

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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.

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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 contact 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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