



LGPS LOCAL PENSION BOARD 9 JANUARY 2020

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Stuart Duncombe (Team Manager - Business Relations (West Yorkshire Pension Fund)), Cheryl Evans (Democratic Services Officer), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

30 APOLOGIES FOR ABSENCE

The Chairman wished the Board a Happy New Year.

There were no apologies for absence.

It was noted that Stuart Duncombe (Team Manager - Business Relations, West Yorkshire Pension Board) was attending the meeting on behalf of Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund).

The Chairman welcomed Stuart Duncombe (Team Manager - Business Relations, West Yorkshire Pension Board) to his first meeting of the Board.

31 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.

32 MINUTES OF THE PREVIOUS MEETING HELD ON 3 OCTOBER 2019

RESOLVED

That the minutes of the meeting held on 3 October 2019 be approved as a correct record and signed by the Chairman.

33 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters over the quarter ending 30 September 2019.

The Board was provided with updates on the following:

- Local Authority Pension Fund Forum Membership;
- The Pension Regulator (TPR) Checklist Dashboard;
- Breaches Register Update;
- Risk Register Update;
- Asset Pooling Update; and
- Good Governance Review.

The Board was advised that all members of the Pensions Committee, except the newly appointed member, had completed TPR Toolkit. It was advised that the new member would complete the Toolkit within the six month deadline.

The Fund had made its first investment with Border to Coast in October 2019, into the Global Equity Alpha Fund. The transition had been managed by Blackrock, and overseen by Inalytics. It was confirmed that generally the transition had gone very well, and Inalytics had provided an interim report stating it was satisfied with the transition work undertaken by Blackrock.

It was highlighted that the transition had incurred a higher than estimated implementation shortfall (a standard measure for transitions), as the target portfolio had significantly out-performed the legacy portfolio during the transition. To assist in the oversight of the governance in respect of the transition of assets to Border to Coast, the final transition report from Inalytics would be shared with the Board once it was available.

In response to a question, it was advised that Blackrock had been appointed by Border to Coast.

The next transition of assets Border to Coast was scheduled for early 2020 into the Investment Grade Credit Sub-Fund, and followed by Multi Asset Credit in the second half of 2020. An overview of both of the funds had been included in the Border to Coast presentation to the Pension Committee in December 2019.

It was highlighted that following on from Phase I of the Good Governance Review detailed at the July 2019 meeting of the Board, phase II had now been completed and the report had been published in November 2019, which was attached at Appendix C to the report. The Scheme Advisory Board had agreed to constitute two working groups (focusing on the Standards and Outcomes workstream; and the Compliance and Improvement workstream) to take forward the proposals included in the original report. Hymans Robertson had been appointed to assist the working groups in the next phase of the good governance project.

The phase II report had included detailed implementation proposals from the workstreams, which included a list of the changes required to guidance to implement the framework. A table summarising the proposed changes was detailed on pages 17-19 of the agenda pack. Specific reference was made to the size and make-up of pension committees and the training requirements.

In light of the two new members on the Board, it was suggested that a *training evaluation submission* be emailed to all members of the Board for completion, which would help identify any training needs, the results of which could then be discussed under the item *Training Needs* at the next scheduled meeting of the Board.

In response to a question it was confirmed that F5 on TPR's and Scheme Advisory Board Compliance Checklist was shaded in grey, as F5 was not relevant as there would be no decisions taken by the Board outside of its meetings.

RESOLVED

- (1) That the report be noted.
- (2) That a *training evaluation submission* be emailed to all members of the Board for completion to identify any training needs, the results of which would then be discussed under the item *Training Needs* at the next scheduled meeting of the Board.

34 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report from the Team Manager - Business Relations, West Yorkshire Pension Fund, which provided an update on current administration issues within the Fund.

Members received an update on the following issues:

- Performance and Benchmarking;
- Scheme Information;
- Member and Employer Contact;
- Internal Disputes and Resolution Procedures;
- An Administration Update;
- Current Technical Issues; and
- Shared Service Budget.

It was advised that there was a typing error in section 3.0 of the report, and it should state: *Over the quarter July to September we received 2 online customer responses.*

The Board was invited to ask questions, to which the following responses were given:

- Annual Benefit Statements and Deferred Benefit Statements for 2018/19 had included new information on pension estimates for each member. This had

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led to a reduction in pension estimates enquiries and an increase in deferred pensions being put into payment.

- All Key performance indicators (KPIs) had been achieved in this quarter.
- It was requested that the table detailing membership numbers in the Lincolnshire Fund, page 45 refers, be updated to also include the number of new members; and how many of the total number of members were in the 50/50 part of the scheme.
- Reference was made to the section of the report concerning *Stages 1, 2 and ombudsman appeals against scheme employers* and it was agreed that the Board would be emailed an up-to-date position on each of the appeals, as the information contained within the report was for quarter 2, July to September 2019.
- Work had commenced on giving members the option to commute their 'trivial' pension to a one-off lump sum payment. Members who had a pension of under £500 per annum had been targeted in the first instance. 230 members fell into this category and an example of the letter sent to members was tabled at the meeting.
- Reference was made to the McCloud judgement and it was advised that the Local Government Associated had advised that the service history for each member would need to be in place. It was advised that Lincolnshire was in a good position, as service history was already in place for both part-time and full-time employees. However, it was noted that work would have to be undertaken on the service histories of casual workers.
- The cost per member had increased from £15.01 in 2018/19 to an estimated £16.11 for period 6 in 2019/20; however this was to be expected, with West Yorkshire investing in IT during 2019/20 and using the actuary to undertake a review of members' processes in the shared service. The Board recognised that this was good value for money, compared with other local government pension schemes.

RESOLVED

- (1) That the report be noted.
- (2) That future reports to the Board be revised to include: the table detailing membership numbers in the Lincolnshire Fund be updated to also include the number of new members; and how many of the total number of members were in the 50/50 part of the scheme.
- (3) That updated information on the *Stages 1, 2 and ombudsman appeals against scheme employers* be emailed to the Board.

35 DATA SCORES

Consideration was given to a report from the Team Manager - Business Relations, West Yorkshire Pension Fund (WYPF), which provided an update on the data scores for Lincolnshire Pension Fund reported to The Pension Regulator (TPR), as required under this year's TPR returns.

The Board was advised that in July 2019, a revised draft conditional data report was issued to Funds by the Scheme Advisory Board and TPR. The changes had standardised the checks required of all Funds for conditional data and therefore would impact on future data scores.

However, it was brought to the Board's attention that, either owing to technical or recording issues, the report did not include all of the new data required. The Board was assured that work was being undertaken to address this issue and to ascertain why the information was not included within the report. It was advised that once the revised report was available, it would be resent to TPR.

In response to a question, it was advised that a definition of *missing earnings* would be emailed to the Board.

RESOLVED

- (1) That the report be noted.
- (2) That a revised report be provided at the next meeting of the Board.
- (3) That a definition of *missing earnings* be emailed to the Board.

36 TEMPORARY BANK ACCOUNTS

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

It was advised that the number of temporary deposit accounts held for lost contact pensioners/deferred members had decreased from 64, which had been reported at the last meeting of the Board, to 42. A full breakdown of the number of accounts opened and closed was detailed at Appendix 1 to the report.

The number of temporary deposit accounts for Post 2014 Preserved Refunds had increased from 38 to 64. However, this was expected as more members reached their five year deadline. It was noted that the National Technical Group (NTG) had contacted the Scheme Advisory Board to request a change in the Local Government Pension Scheme Regulations 2013 to remove the requirement for a refund to be paid within five years. The NTG was awaiting a response.

The Board was assured that payments into temporary bank accounts were only made when all tracing options had been exhausted. A list of those tracing companies used would be emailed to the Board, for information. The accounts were regularly monitored and were closed when members were located.

It was requested that, for inclusion in future reports, detail be provided on those accounts which remained open, including the duration of the account; its value; and a matrix of the membership category.

RESOLVED

- (1) That the report be noted.
- (2) That a further update be presented to the next meeting of the Board, including detail on those accounts which remained open, including the duration of the account; its value; and a matrix of the membership category.

37 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 second quarter (July to September) of the financial year 2019/20.

A summary of all late contributions or data submissions since April 2019 was set out in table one on page 84 of the Agenda Pack. A summary of employers receiving a fine for late submissions was set out in table two and details of the individual employers for quarter two could be found at Appendix A to the report.

Concerns had previously been raised by both the Pensions Committee and the Pension Board at their meetings in October 2019 regarding the continuing number of employers submitting late or incorrect data and contributions. Officers had agreed to review the Fund's arrangements for monitoring contributions and report back to the Committee and the Board. In reviewing arrangements, the following actions had been taken:

- The Fund had enquired with other funds as to the processes they had in place to monitor contributions. The Fund had remained content that processes were robust and as comprehensive as other funds.
- The Independent Chair of the Pension Board had written to all employers and payroll providers, in November 2019, reminding them of their statutory responsibilities for providing information to the Pension Fund. It was hoped this would yield positive results.
- The Fund had also revisited internal processes to ensure that they remained focussed and robust.
- The Fund had also revisited its escalation processes to ensure that any issues were addressed at the earliest opportunity.

The Board was advised that changes in payroll providers, as well as staffing changes, were two of the main reasons for late or incorrect submissions.

Members were invited to ask questions, in which the following points were noted:

- Members raised concerns and questioned what actions were being taken against employers who were repeatedly submitting late or incorrect data.
- The Accounting, Investment and Governance Officer personally contacted some employers and engaged in discussion.

- The complexity of the data that needed to be provided and the reasons why submissions may be difficult for new payroll providers were acknowledged. It was suggested that, to simplify the process, a standard template for the submission of data could assist payroll providers, as they might deal with a variety of Funds, who required differing information.

RESOLVED

That the report be noted.

38 BORDER TO COAST PENSION BOARD CHAIRS' MEETING

Consideration was given to a report which set out the minutes from the Border to Coast Pension Board Chairs' meeting held on 10 October 2019.

The Chair presented the draft notes of the meeting, which were detailed within the report.

Reference was made to section three of the notes - *Holding Border to Coast to Account*, page 90 of the agenda pack refers. There had been some discussion at the meeting concerning the potential conflicts of interest in relation to shareholder nominated Non-Executive Directors. It was confirmed that Lincolnshire County Council shared this concern.

RESOLVED

That the notes of the Border to Coast Pension Board Chairs' Meeting be noted.

39 THE PENSIONS REGULATOR - GOVERNANCE AND ADMINISTRATION
"DEEP DIVE" ENGAGEMENT REPORT

Consideration was given to a report from the Head of Pensions which introduced The Pensions Regulator's (TPR) Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a 'deep dive' into the administration and government of ten local government pension scheme funds.

The full engagement report was attached at Appendix A to the report, and the key recommendations taken from the Hymans Robertson 60 Second Summary were presented to the Board by the Head of Pensions, page 94 of the Agenda Pack refers.

It was advised that Lincolnshire was already to a greater extent delivering the key recommendations.

A discussion ensued regarding the key recommendations on cyber security and it was confirmed that this already featured on the risk register. It was requested that the Board received an item on cyber security at a future meeting, particularly on accountability and whether there had been any data breaches.

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RESOLVED

- (1) That the report be noted.
- (2) That the Board receive an item on cyber security at a future meeting, particularly on accountability and whether there had been any data breaches.

40 TRAINING NEEDS

Consideration was given to a report which provided an opportunity to discuss any training attended since the last meeting of the Board.

Attached to the report at Appendices A and B were the following conference highlights:

- LGPS Pension Managers' Conference in Torquay – 19-20 November 2019; and
- Local Authority Pension Fund Forum – Conference 2019 in Bournemouth – 4-6 December 2019.

The Board was reminded that the Pension monthly newsletter contained information on relevant external training courses. Should any of the members wish to book onto one of these events, they should contact a member of the Pensions Team.

It was highlighted that Gerry Tawton and Kim Cammack had recently attended the LGPS Fundamentals training.

It was also highlighted that the Chair had attended the Border to Coast Pension Conference. It was also noted that the Chair had attended two private pension scheme events: Professional Pensions Scheme Funding Summit; and the Mercer Chair of Trustees Forum. Notes from the two private pension scheme events would be emailed to the Board, for information.

A training session for the Pensions Committee and the LGPS Pension Board had been arranged for 13 February 2020, which would include a presentation from Border to Coast on its UK internal equity sub funds. It was hoped that another fund manager could attend to present information on investing in UK property.

RESOLVED

That the report be noted.

41 WORK PLAN

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

It was agreed that further updates on the Temporary Bank Accounts; The Pensions Regulator Data Score; Cyber Security; the effectiveness of the Board be presented to future meetings of the Board.

The meeting closed at 4.20 pm.

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