



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

Report to:	<b>Pensions Committee</b>
Date:	<b>16 December 2021</b>
Subject:	<b>Report by the Independent Chair of the Lincolnshire Local Pension Board</b>

**Summary:**

The purpose of this report is:

- A) To update the Pensions Committee on the work of the Pension Board (PB) during the last few months;
- B) For the Pensions Committee to receive assurances gained from the PB's work; and
- C) For the Pensions Committee to consider recommendations from the PB.

**Recommendation(s):**

The Pensions Committee is requested to note the report.

**Background**

**1.0.1 OUTCOMES FROM PENSION BOARD MEETING ON 14 OCTOBER 2021**

1.1 The PB met on the 14 October and the main focus was on the following issues:

- a) Border to Coast Pensions Partnership
- b) Internal Audit of Lincolnshire and West Yorkshire Pension Funds
- c) External Audit
- d) Prudential AVCs
- e) Annual Benefit Statements

1.2 **Border to Coast Pensions Partnership (BCPP)** – Andrew Stone presented an overview of BCPP including details of its vision, governance arrangements, key personnel, investment programme, wider corporate development programme, Lincolnshire's current investments, potential future investments, responsible

investment strategy and an update on pooling savings. There were a number of varied and interesting questions from members of the PB. As mentioned previously, the PB remain uneasy at the appointment of Partner Fund Non-Executive Directors to the BCPP Board because it is considered that an Elected Member could have a conflict of interest between acting in the best interests of the company as a board member with their responsibilities on the Pensions Committee. Mr Stone agreed to take the issue back to the BCPP and RB will discuss informally with Chris Hitchin, Chairman of BCPP on some future occasion.

- 1.3 **Internal Audit of Lincolnshire and West Yorkshire Pension Funds** – the PB reviewed an exempt report on the internal audit of several aspects of the pensions service, including transfers out, new pensions and lump sums for flexible retirement, pensioner payroll, transfers in and life existence. Three of the topics received an excellent rating and two good. There were a few recommendations which management accepted and are being actioned. The overall conclusion was that the PB can continue to place assurance on the work of the pensions administration function undertaken by the WYPF. There has been no pension fund audit conducted by LCC's Internal Audit team during the last twelve months. The Team had focussed on other higher risk areas because the pensions service had been assessed to be well controlled and received high assurance when last audited in April 2019. The LCC Internal Audit Team will be including a pension fund review as part of its 2022 audit plan.
- 1.4 **External Audit** – consideration was given to a progress report on the audit work outstanding and findings from the work completed to date undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report for 2020/2021. The PB was advised that a combination of Covid-19 implications and staffing disruptions were cited by Mazars as contributing to the delay in the sign off of the Accounts. A decision for the Audit Committee, and subsequently Council, was on the horizon to determine if Lincolnshire County Council intended to be part of the national procurement process to appoint an external auditor. It was noted that the vast majority of the local government audit market was covered by a very limited number of providers. There is an initiative at national level to try and improve the quality of the external audit provision for public sector organisations generally.
- 1.5 **Prudential AVCs** – the Pensions Regulator (TPR) had not been forthcoming with their action plan to address the deficiency in Prudential's service delivery. No response had been received from Prudential for four weeks. Improvements were noticed and the impact to scheme members had been limited. The Fund's administrator, WYPF, had ensured no financial difficulty had been suffered by scheme members, by paying out lump sums on account while waiting for Prudential. The Executive Director of Resources agreed to raise this matter at the Society of County Treasurers' AGM and consider if a joint communication from the Chairmen of a number of pension funds should be sent to TPR expressing disquiet with Prudential.

- 1.6 **Annual Benefit Statements** – the PB was advised that of those scheme members eligible to receive a benefit statement, 99.9% had been produced electronically for deferred members, and 98.7% for active members. However, the PB expressed concern at the apparent low number of members who had accessed the statements. WYPF stated that a report was being developed to identify the number of scheme members viewing annual benefit statements.

## **Conclusion**

### **ASSURANCES GAINED BY THE BOARD**

- 2.1 The PB considers that the governance arrangements for BCPP are largely strong.
- 2.2 PB was disappointed that Mazars were late in signing their audit certificate. The PB has a wider concern at the fragility of the audit market supply and the timelines of external audit. The Executive Director of Resources and the PB Chairman are involved in one or two national initiatives to try and improve the situation.
- 2.3 The PB was pleased that the West Yorkshire Internal Audit Team continue to place reliance on the work of the pensions administration function undertaken by the WYPF.
- 2.4 The services from Prudential continue to cause concern, although it is pleasing to see some improvement in services to members.
- 2.5 Although WYPF achieved excellent performance in the production of the annual benefit statements, the PB has a concern that many members have not accessed them.

**Roger Buttery**  
**Independent Chairman**

December 2021

## **Consultation**

### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## **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 Roger Buttery, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).