



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Pension Fund Update Report

Summary:

This report updates the Board on Fund matters for the quarter ending 31 December 2021 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update

Recommendation(s):

That the Board consider and note the report.

Background

1. TPR Checklist Dashboard and Code of Practice

- 1.1 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 C. 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.
- 1.2 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding – Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

Amber – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion

certificate to the Head of Pensions. However, whilst all Board members have completed this training, due to the change in Pensions Committee membership following the May elections, certificates have not yet been received from all the new Committee members. As set out in the training policy, members do have a six month window to complete this mandatory training, which should therefore have been completed by November. At the time of writing this report, two certificates had not been received.

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.

2. Breaches Reporting - update

2.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix D shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Committee at paper 9, updating the Committee on all monthly employer contribution breaches over quarter.

- 2.2 Further to the concerns previously raised about the Fund's AVC provider, Prudential, a review has been undertaken by Barnett Waddingham, the Fund's Benefits Consultant, and is covered in paper 15 on the agenda.

3. Risk Register Update

- 3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved.
- 3.2 There have been no changes in risk level on the register since the last meeting, and there are currently no red risks.

4. Asset Pooling Update

- 4.1 The situation with Ukraine and Russia has brought to the fore discussions about geopolitical risk, with partner funds wanting a greater understanding of how that is factored into investment decisions by Border to Coast and their external managers. Border to Coast held a meeting with Funds on 2 March to discuss this and have been working with Funds to ensure they have a clear understanding of the direct and indirect exposure to assets impacted by the current situation, with regular updates being provided.

Sub Funds

- 4.2 Border to Coast launched a Listed Alternatives sub-fund on 31 January, to compliment the suite of alternative offerings already available. Lincolnshire has not invested with Border to Coast yet in the alternatives range, as this mandate is currently managed by Morgan Stanley. Discussions are continuing between the Fund, Morgan Stanley and Border to Coast to ensure that the alternatives exposure is managed in the most appropriate way to meet the Fund's requirements. Further information will be brought to the Committee at its June meeting.
- 4.3 Work has continued on the development of the real estate funds, with the next expected transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched later in 2022. It is expected that the new Head of Property will be appointed in March.
- 4.4 Since the last Committee meeting, Border to Coast has held a number of workshops and meetings with officers and advisors covering quarterly external and internal funds, property, alternatives, carbon metrics and Responsible Investment.

Joint Committee Meetings

- 4.5 The latest Joint Committee meeting was held on 8 March. Minutes of the Joint Committee meeting held on 23 November, and the agenda items for the latest meeting were shared with Committee and Board members. Below are the agenda items for the meeting and the minutes will be circulated with the next JC agenda:

- Ratification of Decision Taken at 23 November Meeting (due to it not being quorate)
- Schedule of Future Meetings
- Annual Elections
- Joint Committee Budget
- 2021 Partner Fund Satisfaction Survey

- Market Review
- Shareholder Governance Review (exempt paper)
- Emerging Market Equity Alpha Launch (exempt paper)
- CEO Report
- Investment Review Quarter Ended 31 December 2021 (exempt report)
- Verbal Update on Emerging Matters (exempt item)

4.6 Any questions or comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the next meeting.

4.7 The next Joint Committee is being held on 14 June 2022, this is the Annual Meeting and there will also be a Responsible Investment Workshop held that day.

Shareholder Matters

4.8 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.

4.9 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.

4.10 There has been one shareholder resolutions since the last report, which Lincolnshire voted in favour of:

- to approve the Strategic Plan 2022-25 and supporting budgets for 2022-23.

Conclusion

5 The Fund Update report is a quarterly report to the Pension Board, to provide an update on Pension Fund matters and any current issues.

Consultation

a) Risks and Impact Analysis

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

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.

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