



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

Report to:	<b>Pensions Committee</b>
Date:	<b>14 July 2022</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 OUTCOMES FROM THE PENSION BOARD MEETING ON 17 MARCH 2022**

1.1 The PB met on the 17 March and the main focus was on the following issues:

- a) Data Quality Report
- b) Update on Annual Benefit Statements
- c) Internal Audit
- d) Update on Prudential AVCs
- e) The McCloud Ruling

1.2 **Data Quality Report** – the PB received a further update from WYPF on the data scores for the Lincolnshire Pension Fund as reported to the Pensions Regulator. There had been an increase in the Scheme Specific score from 84% to 86%. Much of the missing data is historic and therefore currently it is not reported in the data fields.

Market investigations were being undertaken to identify optical reader software to enable the data to be identified, extracted, and added into the correct fields in the administration system. The PB will continue to monitor the position because the Pensions Regulator expects an improvement in data quality for all public sector schemes.

- 2.3 **Annual Benefit Statements** – the PB had previously been 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 reported that their software supplier, Civica, had confirmed their capacity to deliver a function enabling identification of scheme members accessing annual benefit statements, so that the Administration Team, Pensions Committee and PB can monitor how many members have viewed their statements.

- 2.4 **Internal Audit of Lincolnshire and West Yorkshire Pension Funds** – Bradford City Council’s Internal Audit Team had undertaken three further reviews of the pensions service.

The first was **Scheme contributions** where the audit opinion was GOOD. There were two recommendations which management accepted and are being actioned.

The second was **Mitigation of pension scams** where the audit opinion was EXCELLENT. There were no recommendations for improvement.

The third was **New pensions and lump sums – death benefits** where the audit opinion was EXCELLENT. Again, there were no recommendations for improvement.

Taking in to account the internal reviews undertaken earlier in the year, the overall conclusion was that the PB can continue to place assurance on the work of the pensions administration function undertaken by the WYPF.

- 2.5 **Update on Prudential AVCs** – the Pensions Committee has been informed previously about members and schemes reporting long delays in the divesting of AVC pots invested with Prudential. There were also delays in Prudential posting contributions to members’ individual AVC pots. The problems began when Prudential migrated to a new IT platform. Almost all LGPS funds appear to have been affected by these delays including the WYPF and therefore Lincolnshire.

In December 2021, Prudential attended the LGPS Scheme Advisory Board (SAB) meeting and reported on the action being taken to rectify the problems. Prudential confirmed that it had reported itself to the Pensions Regulator after failing to meet its statutory deadlines. Prudential advised the SAB that its performance in certain areas was improving.

Both the Regulator and the Financial Conduct Authority are aware of the problems and have had meetings with Prudential. The latest experience from WYPF is that member retirements are being dealt with on a timelier basis. In addition, the annual members' statements for 2020/2021 have been issued to Lincolnshire members.

Although the service is returning to normal, communication from Prudential remains poor. Following an external review of AVC providers, it was agreed to retain Prudential. A copy of a letter from Prudential dated the 29<sup>th</sup> April is attached at appendix A to this report.

- 2.6 **The McCloud Ruling – effects on the LGPS** - A presentation was submitted to the Board by the Governance and Business Development Manager (WYPF) on the changes to the LGPS scheme benefits following the release of the McCloud ruling. These matters included an overview of what the McCloud ruling was, the implication of the McCloud ruling, the proposals made as a result, the current protections for LGPS members, the LGPS proposed remedy, the cost cap mechanism and shared service administration.

The McCloud ruling affects members who were in service on 31<sup>st</sup> March 2012 and also have service after 31<sup>st</sup> March 2014 (without a break of more than five years) and provides an underpin based on the best of final salary or CARE benefits. Practitioners have many concerns, including the need to include the varying of benefits in annual benefit statements (ABS) following a government directive to include it on the ABS. The proposed remedy will be applied retrospectively from 1<sup>st</sup> April 2014 and the remedy period ends at 31<sup>st</sup> March 2022. Administrators will have until 31 October 2023 to ensure compliance.

## **Conclusion**

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

- 3.1 The PB has concerns about the progress on the data scores and cannot provide full assurance on this aspect.
- 3.2 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.
- 3.3 The PB was pleased that the Bradford Internal Audit Team continue to place reliance on the work of the pensions administration function undertaken by the WYPF.
- 3.4 The services from Prudential have been a cause for concern, but it is pleasing to see some improvement in services to members.

3.5 The McCloud ruling will place enormous pressure and cost on the WYPF Administration Team for what appears to be very little gain by members.

**Roger BATTERY**  
**Independent Chairman**

June 2022

### **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	Prudential letter April 2022

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